The NATIONAL UNDERWRITER

REINSURANCE EDITION

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WEEKLY NEWSPAPER OF INSURANCE

The NATIONAL UNDERWRITER

December 27, 1951
55th Year, No. 52

SELF-INSURERS MEET

Lays High W. C. Cost in N.Y. to Law's Administration

NEW YORK—The problem in the workmen's compensation field in New York that is created by the philosophy of the administration of the law in that state was touched on directly and indirectly by speakers at the annual meeting of the Self-Insurers Assn. here. Officers and the board of managers were reelected. C. F. Smythe of New York Telephone Co. is chairman and J. J. Regan of the law firm of Sherpick, Gilbert, Regan & Davis is secretary.

In a paper on the cost of workmen's compensation, Solon T. Stone, member of the Buffalo law firm of Kennefick, Bass, Letchworth, Baldy & Phillips, strongly urged support of the proposal by Associated Industries of New York State for an amendment to the W.C. law creating a W.C. court of review. This would be an appeal court acting in place of the present appelate division, 3rd department and having the power presently vested in the appelate division of the supreme court in most civil cases to decide on the record as a whole if there is substantial evidence to support a decision to reverse on the weight of evidence. Purpose of the amendment is to do something about the problem of high costs of W.C. in the state.

Claimant Gets All Doubt

The fundamental reason that costs in New York are so high, Mr. Stone declared, is the philosophy of the administration, that the claimant should always have the benefit of the doubt, and the refusal of the administration to recognize that cases should be decided upon the weight of evidence.

This inequity probably arose in a natural way out of the theory that it was not an inequity at all because the costs were to be borne not by employers but spread over the public at large. The legislative proposal would provide for six judges appointed by the governor with the consent and advice of the senate, men specially qualified, with the expenses charged against the administration of the W. C. law and assessed against carriers and employers. Mr. Stone believes it would work the greatest and most far reaching change in the W.C. law since that law's adoption.

Under the present law the courts have no authority to decide the facts; the only fact finding authority is the W.C. Board. The courts are powerless to force the board to decide cases on weight of evidence. In reading a record on appeal when the appelate court reaches the point in the evidence where it finds competent proof to support the decision of the board, it is futile for the court to read further, he said.

Justice for All

Mr. Stone thinks the amendment would produce justice for all and reduce substantially the cost of W.C. without altering at all the worker's benefits under the law, such as penalties for failing to pay promptly, presumptions in favor of the claimant, etc. It is argued the proposal would increase litigation and slow determination of litigated cases. Mr. Stone believes it would actually speed the determination of appeals.

W.C. costs in New York represent a substantial expense to employers operating there. These costs are by far higher than in any other of 16 states, he said, referring to an analysis of W.C. costs made some time ago. For example, the rates in Pennsylvania are 27.6% as high as in New York. This places an unfair burden on New York employers competing with similar employers elsewhere, he said. In 1951 the over-all cost to New York employers of workmen's compensation, according to figures of Associated Industries, is approximately $300 million. Miss Mary Donlon, chairman of the W.C. Board, has stated that New York has the highest W.C. benefits in the world.

One shoe manufacturer told Mr. Stone his biggest competitor is in a state where W.C. costs are less than half those in New York; the same story was related by a manufacturer of farm machinery. The protests against these high costs have gathered volume in the last several years.

Created New Rights

In an historical review of W.C. in New York he noted that the cost originally was expected to be borne by the public; the employer was expected to charge the cost to his trade product. No one ever claimed that workmen as a moral matter were entitled to W.C., he said. This law is so much in derogation of the common law, which is based on natural law, it required a constitutional amendment to put it into effect. As a practical matter, the law is a good one, but it creates rights that did not exist before. In recognition of this, probably, the law did not and does not compensate for every injury to the employe while at work or every occupational disease and it does not attempt to compensate for full damages. Employers should bear in mind that they gave up, willingly perhaps, but actually, very substantial rights and defenses when the W.C. law went into effect. It is not an expression of the moral but of purely statutory rights of workmen.

It is evident that the cost is falling more and more on a single class, employers. The cost is so much higher in New York than in other states that New York employers are no longer able to charge it off against the price of the product but must take a smaller profit than competitors in other states. Yet the theory that the law does not burden a particular class remains firmly entrenched in decided case law and its administration.

Is Not the Law

The administration philosophy that all doubts about the facts should be resolved in favor of claimants is not the law, Mr. Stone believes. Justice requires that once competent evidence is presented on each side of a disputed fact under the law, the parties be on an equitable footing and the referee decide which evidence to believe, whether claimant or employer presents it.

Because of this philosophy all too frequently carriers have to pay something though the overwhelming evidence is that the workman is not entitled to it. He cited the case of an employe with a back ache, who lost no time from work and whose average earnings for from six to eight months were higher than the average he had earned prior to that time. However, in four weeks of the six to eight months he earned substantially less than his former average. Medical evidence showed the employe had recovered from his injury before the four weeks. The evidence was that after the four weeks he did receive medical treatment, but the latest evidence was that he had no

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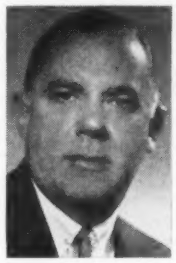
Crum & Forster Appoints Wilcox Assistant Manager


R. M. Wilcox

Roe M. Wilcox, field superintendent in the western department of Crum & Forster, has been promoted to assistant manager. He will be active in supervising both field and underwriting activities in cooperation with Assistant Managers C. G. Thro and R. H. Gregg.

Mr. Wilcox attended Central Missouri State College and served in the first war in Europe. He entered the insurance business with the O. W. Phillips agency at Odessa, Mo., and was Missouri special agent for Home and state agent for Milwaukee Mechanics before joining Crum & Forster as Missouri state agent in 1930. He was appointed western department field superintendent in 1948.

A brother, C. M. Wilcox, is state agent in Illinois for New Hampshire Fire.

Harrington to North America "Ad" Post

North America has appointed Frank G. Harrington, Jr., as advertising manager, effective Jan. 1, succeeding the late Arthur Joyce. The position includes public relations responsibilities. Mr. Harrington recently completed a six-month tour of service offices in preparation for his new post.

Before joining North America early this year, he was an executive of a Philadelphia publishing company. Prior to serving in the marine corps in the war, he did advertising and sales promotion for a Syracuse radio station. He began his business career in Syracuse in an advertising agency. He has served for three years as a director of the Philadelphia chapter of American Marketing Assn. and chairman of its national committee on public relations. He has worked on the Red Cross and community chest fund-raising drives.

Mortgagee No Longer Wants to Be Payee on $100 Losses

Federal National Mortgage Assn. has adopted the policy of not requiring that it be named as a payee on insurance loss drafts where the loss, whether or not recoverable in full, does not exceed $100.

The association's policy statement reads:

"The Federal National Mortgage Assn. will not require that it be named as a payee on insurance loss drafts in settlement of losses sustained under policies in which the association is named as mortgagee for the amount of the loss (whether or not recoverable in full) does not exceed $100. The insurance companies are authorized and requested to exclude the association's name (1) from loss drafts in amounts up to $100 where policies are of the coverage type and (2) from loss drafts in amounts up to $50 where policies contain an applicable $50 deductible clause.

"In all other cases loss drafts shall name the association as payee in accordance with the mortgagee clause."

O.K. Substantial Auto PLD Rate Boost in New York

Use Rating Formula Agreed on by N.A.U.A. and Department

Increased rates for physical damage insurance on private passenger automobiles in Manhattan, Brooklyn, Bronx and Queens will be put into effect on Dec. 31 by most companies.

The new rates, Superintendent A. J. Bohlinger stated, are keyed to the rating formula which was agreed upon last month by the New York department and National Automobile Underwriters Assn. The interim formula provides for an expense factor, excluding allocated claim expenses, of 42% and a profit and contingency factor of 5%.

Explains Boost

Mr. Bohlinger said the higher rates were made necessary by the unfavorable loss experience which has resulted from increased claim costs due to the high cost of repair parts and labor and a sharp rise in claim frequency in certain territories. The latter, he said, is particularly true in the metropolitan area where many motorists are unable to garage their cars. Pointing out that the unfavorable experience has caused some companies to restrict their writings in certain areas, he stated that it is hoped that the new rates will again assure an adequate market.

Rates for comprehensive on private passenger cars in Manhattan, Brooklyn and the Bronx will be increased on an average over-all basis of approximately 30.8%, while the rates for collision will be raised 19.9%. In Queens the rates for comprehensive coverage will be increased 23.1% and the rates for collision insurance in the city portion of the county will be raised 19.9%. The rates for collision insurance on automobiles in the suburban portion of Queens will be increased 25.5%.

Some Rates Reduced

The rates for comprehensive insurance on private passenger automobiles outside of the metropolitan area will be reduced 1.1%, while the rates for collision insurance will be raised 8.3%.

In addition to revising the rates for comprehensive and collision coverages, the companies will put into effect an overall rate increase for fire and theft insurance of approximately 0.8%.

Rates for physical damage coverages on commercial vehicles will also be revised as follows: Fire, theft and comprehensive coverages—local haul, down 25.3%; intermediate, down 30% and long distance down 33.5%; collision—local, up 0.8%; intermediate, down 25.6% and long distance, up 4%.

The companies will also put into effect a revised method of calculating actual cash value premiums which will narrow the difference between stated amount and actual cash value comprehensive and fire and theft coverage premiums on private passenger automobiles in the metropolitan area. Another important change will result in widening the difference between the $100 deductible collision insurance premiums and

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JOVIAL LUMINARIES AT E. U. A. DINNER: Walker de Waters of Royal Exchange; Russell M. L. Carson, Glens Falls, member eastern agents conference committee; Earl Patton, Northern Assurance; Walter H. Cowan, Glens Falls Fire, and Leo O. Freeman, Jr., manager Virginia Insurance Rating Bureau.

Insurers Not Joining in N. Y. City Arson Suit

Fire companies represented by the New York Board are not joining in the damage claims filed against New York City in behalf of property owners who either were uninsured or underinsured when arsonists started a fire last Sept. 10 on West 18th street. Three detectives were trailing the arsonists at the time and the claimants contend that the police should have prevented the arsonists from starting the fire. The suits filed against the city total $615,500.

A detective and one of the arsonists were killed in the blast and the fire that followed. The police had been trailing the four arsonists in the belief that they were attempting a safe-cracking job.

There have been cases in the past where insurers have sued municipalities where a certain responsibility had been imposed upon a city by statute. Generally speaking, however, it would be very unusual for a fire company to sue a city or a fire or police department for negligence. All are working in the public interest. It would have to be an extraordinary event before fire insurers undertook to attract the dislike of policemen or firemen on whose good work much of the loss experience depends. Traditionally insurers maintain the closest and most friendly relations with both departments. They would hardly try to fasten liability on the city for an error of judgment by a police officer. Normally these cases are of the type where good judgment and sound business relations outweigh interest in recovery. Considered executive judgment would be required before one of these actions would be started though it is not impossible.

Agents "Fair and Square"

Insurance agents rank second only to druggists as the group of business men most likely to treat a newcomer to their town "fairly and squarely" according to a poll of 3,112 adults by Elmo Roper, for the National Automobile Dealers Assn.

The dealers came off very poorly in the poll, which indicated generally that many people do not trust a new car dealer.

Ranked behind the insurance agent were lawyers and real estate men. The new car dealer was last on the list.

Kans. Steering Group Meets

The executive committee of Kansas Assn. of Insurance Agents held its first meeting of the year at Wichita with all members and all committee chairmen in attendance. Chairman William Kline of Hutchinson presided. C. J. Wintrol, Royal-Liverpool, Wichita, represented the education and public relations commitee of Kansas Fire Underwriters Assn. Resumption of insurance short courses proposed by Chairman Robert Charlton, Lawrence, was approved. There was thorough discussion of plans for introducing state wide driver training programs in Kansas high schools and legislation needed to strengthen the agents' qualification law, the financial responsibility law, and the anti-coercion law. The next meeting will be held at Dodge City in April.

RFC Insurance Loans Down

WASHINGTON—The amount of four loans outstanding on insurance companies' preferred stocks, at close of fiscal year June 30, showed a decrease from $8,255,000 in 1950 to $8,233,000 in 1951, according to annual report of the government lending agency.

Smiley's Field Extended

Vernon A. Smiley, Jr., special agent of Worcester Mutual Fire is extending his territory to include New Hampshire. Aaron Goodale, Jr., assistant secretary, who has serviced New Hampshire, will return to the home office to assist in administrative work.

George Wells Takes Top Post With Life Insurer

George W. Wells, vice-president of Northwestern National Life and former Minnesota commissioner, has been named acting president of his company and a member of the board and the executive committee. He replaces R. G. Stagg, president for the past four years, who resigned his post as a result of differences of opinion over group A. & H. operations. THE NATIONAL UNDERWRITER in a story on Dec. 6 reported that Northwestern National had halted the writing of group casualty coverages in the face of poor experience.

Mr. Wells had joined the company in 1928 as secretary and became vice-president in 1942. Prior to joining the company he had been Minnesota commissioner with the distinction of being the youngest commissioner in the United States at 29 years of age. He served as a member of the executive committee of the insurance commissioners. He is chairman of the legislative committee and president of Insurance Federation of Minnesota.

E. H. Plachte Is Named

Elmer H. Plachte has been named assistant supervisor of agents for Switzerland General in the mid-continent department. Mr. Plachte has had local agency experience and is a law graduate of Minnesota College of Law. He will have jurisdiction in the northern states of the mid-continent department.

Awards for Traffic Safety

Several insurance companies and agencies operating in Buffalo, N. Y., donated cash prizes which in turn were awarded by Buffalo Junior Chamber of Commerce to motorists and pedestrians who exemplified good safety practices. The awards were made in connection with a police department campaign to reduce traffic accidents.

Companies Oppose Reorganization of D. C. Department

WASHINGTON—Unanimous opposition of the insurance industry to merging the District of Columbia insurance department into a new division of commerce under a D. C. government reorganization plan sponsored by two of three District commissioners, was expressed at a hearing before the commissioners late last week by Edward J. Schmuck, general counsel Acacia Mutual Life and chairman of a special committee representing all segments of the insurance industry here.

Mr. Schmuck made a statement along the lines of that submitted to a House committee a few years ago against a proposal similar to the above contained in the Auchincloss bill for D. C. reorganization.

Pointing out that the insurance department would be deprived of independent status and become merely a section of the commerce division, Schmuck argued that the proposed plan (1) would not best serve the public interest, (2) would not result in greater efficiency or economy in supervision of insurance, (3) is contrary to the experience and action of several states, particularly since the S.E.U.A. decision and enactment of the McCarran law, and (4) is contrary to the congressional scheme after full hearings on the subject before a D. C. home rule subcommittee.

Mr. Schmuck said the D. C. department collected $1,720,000 premium taxes last fiscal year; that the present insurance department exercises important quasi-judicial, discretionary and technical functions. In contrast to total collections of taxes, fees and penalties last fiscal year exceeding $1,823,000, Schmuck gave figures showing expenses of the insurance department were $80,383.

The speaker urged careful consideration be given to amending the reorganization plan so as to preserve the insurance department as an independent unit.

New Barr Office, Manager

Barr Adjustment of San Bernadino, Cal., has opened a branch office at Barstow, Cal., and named Kenneth H. MacDougall manager there. Mr. MacDougall was formerly an independent adjuster in the Barstow area for four years. Previously, he was with London Guarantee and United Pacific for 16 years.

Peru, Ind., Group Elects

Peru (Ind.) Insurance Agents Assn. has elected Ray Coomler president; Edward Westcott, vice-president, and Gilbert Summers, secretary.

National Board Prepares for 1951 Gold Medal Awards

Newspapers and radio stations which have done outstanding work in fire safety for their communities during 1951 will be honored by the National Board in its annual presentation of gold medal awards for public service. In recognition of leadership in the field of fire prevention the board each year gives a gold medal or $500 in cash to the daily newspaper, weekly paper and radio station whose efforts have been of most benefit to their local communities.

The National Board has sent brochures describing the public service award to all newspapers, radio stations, chambers of commerce, and fire chiefs. The closing date for exhibits is Feb. 15, 1952.

Nominations and exhibits should be sent to gold medal awards, National Board, 85 John street, New York 38.

Greer Gets Scottish Union

Scottish Union & National has appointed Robert S. Greer of Jackson as general agent for Mississippi.

He is now general agent for Globe & Republic, New Hampshire, Granite State and Virginia F. & M.

DINNER TABLE VIEWS AT E. U. A. GATHERING:
Above—H. C. McAllister, New Hampshire Fire; H. C. Davis, New York Underwriters; J. F. O'Loughlin, Royal-Liverpool; H. Sumner Stanley, New York Fire Insurance Rating Organization, and J. A. Neumann, Jamaica, L. I., president New York State Assn. of Insurance Agents and member N. A. I. A. executive committee.
Below—C. W. Chappelear, London & Lancashire; F. P. Walther, Continental; Robert Wareing, Travelers; W. G. Bailey, Scottish Union & National; G. S. Harding, Northern Assurance, and Robert T. Stewart, North British.

Cincinnati Ins. Co. to Write Burglary, Inland Marine

CINCINNATI—Cincinnati Insurance Co. will enter the burglary and inland marine fields as soon as policies and forms can be printed. In a notice to agents and stockholders, J. J. Schiff, Jr., secretary, said that this is a year ahead of the original schedule. Since the company started business early this year, it has written fire and automobile physical damage insurance.

November net premiums totalled $11,143, Mr. Schiff reported, and the total through November is $85,240, with losses of only $2,601, plus a loss reserve of $825. The $100 minimum premium reporting form recently filed and approved has been popular and Mr. Schiff said no other company in Ohio offers this contract.

Pittsburgh Chairman Named

President Jet Parker of the Insurance Club of Pittsburgh, has appointed John J. O'Donnell, secretary of Lon C. Jeffrey Co., as general chairman of Pittsburgh Insurance Day March 11.

M. H. Hankey, resident vice-president of American Casualty, and H. T. Cator, manager of Fidelity & Deposit, have been named as associate chairmen.

The general committee is laying plans for another outstanding Pittsburgh Insurance Day. It will be the 26th annual observance and will be held at the William Penn Hotel.

Conley in Mass. Post

Arthur C. Conley has been elected counsel and manager of Insurance Federation of Massachusetts to succeed Benjamin B. Priest, who resigned recently to become general counsel of Massachusetts Bonding.

Mr. Conley is a graduate of Boston College. He has been with Massachusetts Federation of Taxpayers for 13 years, for the past seven years as legislative counsel for Massachusetts Federation of Taxpayers Assns.

Submit King County Slate

William C. Greer of Greer & Edmiston Co. has been nominated for election as president of King County Insurance Assn. at its annual meeting at Seattle, Jan. 8. He will succeed Thomas A. Harman of P. J. Perry & Co.

W. H. Crockett of Pierce & Crockett was nominated as vice-president and LeRoy Hunter for reelection as secretary-treasurer.

National Board Publishes Booklet on Supermarket Fire

A new booklet entitled, "The Super Market, Hazards & Protection," has been issued by the National Board, which notes that there has been an alarming increase in the number of super market fires in recent years, many of them resulting in total loss.

Illustrated with numerous photographs, the booklet is a 16 page magazine-size publication. Included is a history and analysis of the causes of 17 recent super market fires involving large losses.

There are now about 14,500 super markets in the U. S., compared with 300 in 1931. They do a reported annual business in excess of $10 billion. Fire losses among super markets have been severe and have been increasing.

Open New Murphy Building

J. E. Murphy, president of J. E. Murphy Co., Minnesota general agency, was host to more than 500 agents and friends at the opening of the firm's new building at Minneapolis. A. Herbert Nelson, Minnesota commissioner, was the honored guest.

The Murphy company is general agent for General Casualty of Wisconsin and also represents Stuyvesant, Central National, New Amsterdam Casualty, Transcontinental Fire, Industrial Fire and American Surety. The company was organized in 1946 and is now represented by 300 agents throughout Minnesota.

Gunn S.E. Missouri President

Lawrence D. Gunn of the Bryant agency, Kennett, is the new president of Southeast Missouri Assn. of Insurance Agents. He succeeds James V. Corrigan of Poplar Bluff, recently elected president of the Missouri association. Other officers of the Southeast Missouri association are: Vice-president, T. A. Brown, Baker-Welman agency, Kennett, and L. A. Pickard, Jr., Standard agency, also of Kennett.

Postpone All-Risk Rider Hearing

RALEIGH—A public hearing on Transportation Insurance Rating Bureau's appeal of its all-risk fire policy endorsement has been postponed to Feb. 1 by Commissioner Cheek.

The hearing, set for Dec. 13, was postponed because W. H. Rodda, secretary of the bureau, fell ill with pneumonia.

NOT ALL HAPPY

How Agent Can Aid His Own Cause

W. S. Chandler, secretary Phoenix-Connecticut group, continues to hammer away at the problems of agency operation, to which he has devoted his attention the past three years. In a talk before the Hamilton (Ont.) Insurance Agents Assn., he discussed "Today's Work, Yesterday's Tools, and Tomorrow's Profit."

The problems of the agent are pretty well posed in a letter which Mr. Chandler received recently from an agent: "My office expense is up and income down due to reduced premiums in fire lines because of rate reductions. I am squeezed in the middle with increased taxes and am faced with a very serious threat to my standard of living in doing business, unless I can increase my premium volume 50% with my present staff, or possibly find some magic formula for reducing my operating costs."

Mr. Chandler believes this agent's problem is similar to that of hundreds of others, varying only in matter of degree. The demand for counsel from the Phoenix-Connecticut agency management advisory service which Mr. Chandler established, has been and continues to be tremendous. So far, his organization has helped about 1,000 agents.

Do Job a Part at a Time

It is a big job for the agent to undertake a detailed analysis of present methods of operation in order to discover the inefficiencies. So, Mr. Chandler suggests, it should be divided into small segments and each one solved independently. He recommended that the agent begin by making an outline of the operations one at a time, such as expense analysis, accounting and building, filing and record keeping, collection system, production planning and sales.

An operations expense analysis should be first because it will determine the expense classifications and percentage of net profit. It will also enable the agent to make comparisons with agencies of similar size and with local and national averages. There is wide variance in percentage of net profit, 25% to 50%, between agencies similarly situated and writing the same volume of business.

Not one agent in ten has established an adequate reserve, and he urged that this be done at the outset. No agent in his right mind would represent an insurer that did not maintain an unearned premium reserve, even if the law allowed it. It is sound policy to set aside in a separate account a portion of the agency net income as a reserve now that business is good.

Guarantee of Solvency

An adequate reserve and a strict collection control system is the best guarantee of continued solvency. It is insurance against times of economic stress. Get rid of slow paying and habitually delinquent accounts, he advised.

Mr. Chandler recommends the agent secure authority to renew. The cost of personnel to handle details is getting more expensive all the time. An obvious advantage of getting insured's authorization to renew is that it enforces personal contact, an ideal opportunity for selling additional insurance. Some insured like to get renewals by mail, others like to be seen; the agent should consider the personal desires of policyholders in this respect. Once this question is determined, the agency can classify accounts and handle renewals accordingly in the future.

Mr. Chandler is a firm believer in several agents getting ogether occasionally and discussing problems of this kind. One such meeting recently brought to light, in a million dollar premium agency, that a bookkeeper allowed to run his own show was using the entire services of one girl for just making up supplemental statements, a rank example of inefficiency.

The proper use of the multiple invoice would have saved that clerical expense, estimate dat $2,200, which is net profit on about $20,000 of premiums.

One of the most effective all around time savers in the average agency is the multiple invoice system. He also recommends use of the out-card, window envelope, properly designed policy order blanks, combination expiration notice and request for premiu mpayment, self-addressed colored envelopes in all collection activities ,the writing of combination policies wherever possible, collection form letters which are great time savers, and proper arrangement of the office to insure maximum efficiency.

The use of mechanical office equipment, such as electric typewriters, calculators, accounting machines, duplicating equipment, addressographs, combination envelope opening, sealing and stamping machines, and dictating equipment, all increase efficiency, work output and reduce clerical payroll costs. The addition of dictating equipment alone often will lick the problem of another clerk and may step up output fro m25 to 60%. He said his company is finding the use of such equipment essential in its efforts to overcome the personoel shortage as the inroads of the defense program increase.

Fete Children at Detroit

Detroit Assn. of A. & H. Underwriters last week entertained 100 underprivileged children at a Christmas party. The children who were selected by city welfare workers from needy families, were served a turkey dinner and given Christmas packages. They were entertained by clowns, dancers, and other performers.

Silence on Applying Return Premium to Unpaid Balance Stops Voiding Cancellation

Insured who receives notice of cancellation together with a statement from his agent showing that the return premium has been credited on his unpaid balance cannot after seven weeks without protesting claim that there was no cancellation because the unearned premium had not "actually" been "paid" to him.

Mayo Romero brought suit for $497 against Maryland Casualty on a collision policy purchased in Louisiana. In this case, Romero was in debt to the agency. When Maryland Casualty cancelled, Romero was advised he could obtain the unearned premium by making a demand on the local agent, and was advised by the agent that the unearned premium had been credited to his account. The case revolved around an interpretation of the Louisiana code as to whether the policy could be cancelled without the cash being paid the insured. Romero argued that it would be impossible to cancel the policy if the insured were not directly paid the unearned premium, whereas Maryland said that the obligation simply to give notice and to see within a reasonable time that the unearned premium is returned. The court held that the only interpretation that could be placed on the code was that cancellation is permitted by the mere giving of notice provided repayment of the unearned premium is tendered as soon as practicable.

After having received the notice of cancelation and having received the statement showing that return premium had been credited to his unpaid balance, and having waited seven weeks without protest, Romero, the court said, could no longer rely on the right to insist that there had been no cancelation because the premium had not actually been paid to him, even if it could be held "that he would have had the right had he protested when he was advised as to the method adopted by the insurer for accounting for the unearned return premium."

The case is Romero vs. Maryland Casualty, Louisiana court of appeal, CCH 37 (Automobile) 468.

Fire Losses for First 11 Months Total $633 Million

November fire losses of $60,064,000 as reported by the National Board bring the total for the year to $663,199,000, an increase of 6.7% over the first 11 months of 1950, which totaled $621, 640,000.

By months, losses for 1951 and two preceding years are:

Jan. ...	57,926,000	58,823,000	68,686,000
Feb. ...	62,424,000	58,340,000	69,138,000
Mar. ...	67,218,000	72,468,000	71,507,000
April ..	55,290,000	61,605,000	62,965,000
May ...	54,162,000	58,765,000	58,744,000
June ..	51,787,000	57,116,000	56,403,000
July ...	49,592,000	52,980,000	52,220,000
Aug. ...	50,150,000	49,787,000	55,416,000
Sept. ..	49,678,000	45,922,000	53,398,000
Oct. ...	48,914,000	49,914,000	54,660,000
Nov. ...	53,116,000	55,790,000	60,064,000
	599,957,000	621,640,000	663,199,000

Rutter and Cosgrove in Higher American Posts

J. Paul Rutter has been elected a vice-president, and John N. Cosgrove has been elected a secretary of American. Mr. Rutter also retains his previous title of corporate secretary.

Mr. Rutter majored in economics at Colgate university and after graduating in 1923 was with several firms in the New York Stock Exchange. In 1932, he established an investment department for Rhode Island Ins. Co., and was elected secretary of that company the following year. He joined the investment department of American in 1943 and was elected assistant treasurer of the group in 1944 when he assumed complete charge of investments. In 1946 he became secretary of the companies.

Mr. Cosgrove studied at New York university school of journalism and was a sports reporter for two New York newspapers before entering the insurance business. He was at one time editor of American Agency Bulletin of National Assn. of Insurance Agents.

N. H. Dates Are Set

The executive committee of New Hampshire Assn. of Insurance Agents has decided on Wentworth-by-the-Sea as the location and Sept. 10-11 as the dates for the 1952 annual meeting.

Joins Gregory & Appel

Gordon S. Cruickshank has joined Gregory & Appel of Indianapolis. He has formerly been superintendent of the casualty department at Indianapolis of Hartford Accident and with that company for 16 years.

John L. Lewis Proposes Government Insurance of Coal Cargo Ships

WASHINGTON — Government insurance of a fleet of government ships, on a bareboat basis, for carrying U. S. coal exports, is proposed by John L. Lewis, United Mine Workers union president.

The ships would be operated by a private concern organized jointly by American coal producers and the union. That "pool" would either insure the coal cargoes, Lewis suggested, or set up a sinking fund to meet possible coal cargo losses.

The plan was submitted to Charles E. Wilson, defense mobilization director, and other government officials by a committee representing coal mine operators and the union. Government's part of the job would be to furnish the ships and insure them on a "bare bottom" basis.

Lewis said the UMW policy committee endorsed the project at a meeting here last week. Lewis complained of high ocean freight rates on coal and of marine insurance rates, charging that the latter, reflected in freight rates, are "dictated" largely by Lloyds of London. However, government insurance officials say present marine rates are not unusually high or differing from rates in recent years.

They say the Lewis plan, if adopted, would require "adjustment" of the government's marine insurance program. At present, government ships chartered to operators on a bareboat basis, are insured by the operators in the market. On the other hand, many government ships operated by private concerns under contract with the government are self-insured by the maritime administration, the government carrying the risk.

Government people say if the proposed "coal pool" were to operate on a cost basis, it conceivably might save some money, as compared with present coal export carrying shipping concerns. However, doubt is expressed that much of this saving would be represented in the insurance cost of coal cargoes, although the suggested shipping pool insurance sinking fund might result in some saving.

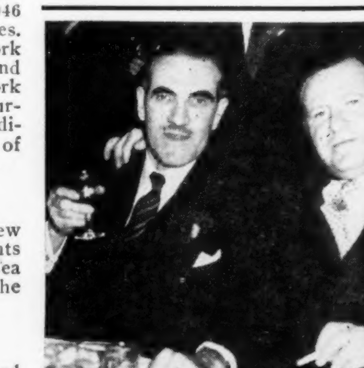
General Agents Slate 1952 Meet for May in W. Va.

American Assn. of Managing General Agents has slated its annual meeting for May 19-21 at the Greenbrier, White Sulphur Springs, W. Wa.

Eagle Star Enters Okla.

Eagle Star has entered Oklahoma. Dan P. Holmes of Tulsa was appointed Oklahoma general agent.

Charles V. Kane, Jr., Donahue Brothers agency, Philadelphia, recently returned from a honeymoon in Bermuda. His late father was the Philadelphia department manager of Meserole group.



Jack Munro, Prudential, Skandia and Hudson, and R. C. Williams, Hanover, at E. U. A. dinner.

General of Seattle Names Carter Head of Ocean Marine Unit

Robert S. Carter has been appointed manager of General of Seattle's newly formed ocean marine department. All usual forms of marine coverage will be available in the Pacific northwest area by Jan. 1.

Mr. Carter has been with Atlantic Mutual for 12 years, most recently as ocean marine manager in the midwest division at Chicago. He was previously also an instructor in marine insurance for the Insurance Society of New York. He graduated from Harvard University in 1937.

Fifth Edition of Hedges Insurance Text Is Printed

The fifth edition of "Practical Fire and Casualty Insurance," by J. Edward Hedges, professor of insurance at Indiana University, is a complete revision of this insurance textbook. Similar to previous editions in style and format, it covers the many changes in every line of fire and casualty business during the past several years.

The questions for study and discussion which appear at the close of each chapter have been revised and augmented to be of further help to the students as well as the instructors. Several states have adopted the book as required or recommended reading for those who are preparing for agents' qualification examinations. It is the textbook of insurance courses in a number of universities.

The price of the new edition is $4 a copy. The 350-page text is attractively bound in gray cover and can be ordered from the National Underwriter company, 420 East Fourth street, Cincinnati 2.

New Sales Aid Offered by Security of New Haven

Pointers on selling farm policies are given in the first issue of the new "Agency Sales Bulletin" of Security of New Haven. The company devotes special attention to farm liability, farm equipment floater and farm livestock floater.

The agents are also offered two three-color folders to use either with pre-call letters or to leave with farmers.

Celebrate Year at Decatur

American Farmers Mutual of the Kemper group celebrated its first year of residence at Decatur, Ill., with a banquet for approximately 250 employes, executives, members of the advisory board and prominent Decatur businessmen. The company, founded in 1946, was moved from Chicago.

H. G. Kemper, president and principal speaker at the celebration, predicted that American Farmers would become one of the largest members of the Kemper group. He pointed out that total premiums in 1946 amounted only to $100,000, reached $5,800,000 in 1950, and were expected to surpass $7 million in 1951. Since moving to Decatur, the company has added 100 persons to its staff and expanded its physical facilities by acquiring additional floor space in a nearby building.

Agents Promote FS Contest

To stimulate greater public interest in the local fire department, Oakland Assn. of Insurance Agents sponsored a contest between fire stations to determine the best decorated house. The association offered cash prizes totaling $1,600 and received the cooperation of the Oakland Tribune and the San Francisco Examiner in putting the contest into the successful class. Special tours of all decorated houses were conducted by the association and city agencies for children and others, while thosuands of individuals made the tour on their own.

W. E. Dunstan of the Dunstan-Welch & Karr agency, was general chairman of the program while Don Doyle, president of the association was chairman of the committee of judges.

Honor da Camara at Dinner

Dr. Paul da Camara, president of Instituto de Resseguros do Brasil, Brazilian government reinsurance monopoly, was guest of honor at a dinner at New York, sponsored by the U. S. Chamber of Commerce and attended by approximately 50 executives of U. S. insurance companies.

Dr. da Camara came to this country en route to Brazil from New Delhi, India, on the last leg of a world tour.

Insuring Ad Men's Ideas

A proposed association of advertising agencies might well use a blanket advertising liability policy to protect its members against the unfounded claims of outsiders asserting that they have originated the ideas used in the agency's advertising, according to an article in a recent issue of "Advertising Age."

The theme of the feature article is the suggested formation of an association of advertising agencies to protect their advertising and promotional material from piracy under the Lanham act which protects trade secrets. The author, Attorney Harold Vogel, does not indicate whether he contacted any insurance men on the advisability or practicality of the insurance phases of his suggestion.

John F. Lillja has been appointed casualty superintendent of American at New York. Lately he has been at Rockford, Ill.

Producers Can Help Hold Down High Loss Ratios

The importance of the agent or broker in the prompt and proper reporting of accidents is emphasized by Fred McKennet, manager of the eastern claim department of Zurich, in a company publication. Claim departments today find the going rough, he points out.

One difficulty is the inability of the claim department immediately to get coverage information. Mr. McKennett's division handles more than 300 accidents per day, giving some idea of the extent of the problem.

Loss handling can be speeded up materially with the cooperation of the agent or broker in having insured report losses on the company's forms. Some thought must be given to what it should contain — correct name of insured as stated on the policy, date and place of accident or loss, name and address of driver and even the telephone number, a brief but clear statement of what occurred, witnesses' names and addresses.

Insured Gets Help

One large insured recently asked the division to furnish the company with someone for a two day discussion on how to report accidents. The discussion involved a great many people in several locations. Insured had found that though some of the people had been taking accident reports for many years they still did not have a good understanding of what should be contained in the report.

In order to do a good job agents should instruct their employes as to what an accident report should contain and should inform insured. Also agents could help mightily by providing as much policy information as possible on the report of accident. If that included policy number, date of expiration, limits, deductible if any, etc., the claim department could start immediately to handle the case without having to check coverage.

Mr. McKennett repeats a statement he first made in 1946 to the effect that the producer may get insured to make a claim when it is a case of no liability or questionable liability. Perhaps as many as 35% of property damage claims are fostered by producers. At times, producers ask a claim department to assist insured in collecting for damages where the company has no interest in the matter, which it is not legally able to do. Producers could help materially in holding down high loss ratios.

Brooklyn Brokers Award to Charles Rosensweig

The Independent Brokers Assn. of Brooklyn has honored Editor Charles S. Rosensweig of the "Insurance Advocate" with its annual achievement award, which was scheduled for presentation Thursday at the association's annual dinner. Presentation was to be made by State Senator Louis I. Friedman of Brooklyn. It is the first time that the award has gone to anyone outside the association's membership.

Hear N.B.C. Commentator

Merrill Mueller, radio commentator and foreign correspondent for N.B.C. addressed Aetna Life Men's Club at Hartford Dec. 20 on "Changing Headlines Around the World."

Question Neb. Society's Status

Iowa Assn. of Insurance Agents is asking why no legal action has been taken by the state to require Catholic Mutual Relief Society of Omaha to conform with state insurance laws.

It stated that a committee of the association presented the matter to the Iowa deparment in 1949 but no legal action has been taken.

The society contends that it is not an insurance company and as a result does not have to comply with Iowa insurance laws. However, the association points out, it does embody the standard Iowa fire form in its contract.

V. B. Steenrod Is Wichita's Local Agent of the Year

Vernon B. Steenrod of the Cohen-Steenrod agency has been awarded the Victor G. Henry cup as the most valuable member of Wichita Assn. of Insurance Agents in 1951. The award was announced by President Garnett Mason at the annual Christmas party of the Wichita association Dec. 20, Marc Benjamin, program committee chairman making the formal presentation.

Guest speaker for the occasion was D. D. Monroe, local agent from Clayton, N. M. Public officials, city, county and state school and Wichita University officials were guests along with office employes, nearly 300 attending.

Seek Traffic Accident Cut

The Michigan Assn. of Insurance Agents has launched a state-wide "educational" effort to reduce traffic accidents during the holiday season. Waldo O. Hildebrand, secretary-manager, has bulletined to the membership considerable information to serve as basis for local publicity in agents' home cities.

Discuss Multiple Lines

Multiple line operations from the viewpoint of the producer and the company were discussed at the Dec. 5 luncheon of Fire Underwriters Forum of San Francisco. E. E. Simpson, St. Paul F. & M., and Allen L. Pither, American Foreign Insurance Association, participated in the discussion.

Revoke Chicago Broker's License

The Illinois department has revoked the broker's license of Joseph A. Blake of Chicago and denied application for a license for the year ending Feb. 29, 1952.

After a formal hearing, it was held that Blake misappropriated and illegally withheld monies required to be kept in a fiduciary capacity, and he was more than 90 days overdue in his account with an agency.

Conn. Agents Balked on New Plan for State Insurance

HARTFORD—Connecticut Assn. of Insurance Agents is attempting to get state officials to adopt a non-partisan pooling arrangement for the distribution of the state's insurance business, but has not been able to get very far with the plan.

William H. Wiley, executive secretary of the association, charged that it had been treated "indifferently" last spring when a delegation had gone to the state comptroller's office to urge the adoption of the so-called Rhode Island plan.

"We feel that our plan is a more businesslike and equitable method of handling the state's insurance and that it would result in the state securing the best coverage obtainable at the lowest possible rate," F. Chandler Moffett, president of the agents' association, said.

In Rhode Island the active insurance agents formed a corporation outside their association, with each agent holding a share in the business. The corporation engaged a full-time executive to work with the state officials, to supervise writing of policies and hiring of special engineers and experts when needed.

Mr. Wiley pointed out that the state auditors repeated a prior recommendation a few days ago, that the state should establish an insurance division with a paid executive to handle insurance coverage and claims.

"Insurance should not be doled out on the basis of party patronage," Mr. Wiley asserted.

Wants $100,000 Auto Limit

Assemblyman Wilson C. Van Duzer of Middletown, N. Y., has announced that he plans to ask the 1952 session of the legislature to increase the amount of insurance to be carried by drivers to $100,000 and to raise the age limit to 21 before a person may receive a driver's permit.

CIO Urges Comprehensive Social Insurance Under Federal Government

WASHINGTON — Urging establishment of a "comprehensive social insurance system which provides adequate security for the entire nation," the CIO, in its current Economic Outlook publication, says:

"Benefits and coverage of the federal social security act can be considerably broadened from the growing reserves of the federal insurance fund. Every American should be covered, and the benefits should be increased to provide more adequate protection for the aged and survivors.

"The disabled should be included, and insurance against the costs of medical care should be added along with other elements of a national health program . . ."

The CIO also added that employers "should be required to absorb, as a legitimate cost of production, . . . insurance against unemployment and industrial accidents and deaths.

State programs in social insurance fields should be merged into a national system providing uniform benefits and universal coverage, according to the article.

Benefits paid to mothers and children survivors under OASI are described as "woefully inadequate."

"Shortcomings" in disability and health insurance programs are cited. Although progress has been made, CIO says millions are on relief "because we have failed to fight hard enough in the battle against disease and disability" and other conditions or factors.

Panels Feature Nebraska Insurance Institute Meet

Seven panel discussions featured the December meeting of Insurance Institute of Nebraska at Lincoln.

Co-chairmen of the actuarial and accounting panel were L. B. Webster, Jr., Lincoln Mutual Life, and H. L. Jones, Jr., Guarantee Mutual. Other panel co-chairmen were: Agency and agency secretaries, E. A. Fredrichs, Security Mutual of Nebraska, and R. J. Taylor, United Benefit Life; health and accident, J. J. McCuistion, Woodmen Accident, Al Hansen, Mutual Benefit H. & A.; investment, Ralph C. Lawrence, Lincoln Mutual, A. B. Olson, World; personnel and planning, Glen Thompson, Woodmen Accident, D. A. Stivers, United Benefit Life; policyowners service, Lloyd Johnson, Union National Life, Raymond J. Kane, American Reserve Life, and underwriting, W. E. Price, Bankers Life of Nebraska, Robert W. Deems, Woodmen of the World.

Ia. Commissioner Probes Union Group A. & H. Cover

DES MOINES—The Iowa department has entered into the controversy arising over the group A. & H. plan of American Guild of Variety Artists.

Premiums are collected directly from the booking agencies or employers of the members and remittances made directly to Matthew M. Adler, insurance brokerage office.

Commissioner Fischer of Iowa has asked Indemnity of North America, the insurer, to explain a number of points at issue.

The Iowa department said some Guild members complain that the master policy has not been made available and that certificates of insurance have not been delivered to the individuals.

The department said it understands the policy appears to cover only Guild members whose employers have collective bargaining agreements with AGVA, or to members who have recognized engagement-contracts on file and have payed the premium in advance.

The department asks what responsibilities and functions does the Adler agency assume with respect to the administration of the plan and the policy contract? Also, to whom do Guild members pay premiums when employed by others than those having a collective bargaining contract with AGVA; and are the premiums charged in each instance the same? What commissions and fees are received by the Adler agency and with whom are they divided? Are these in conformity with the schedules of commissions and fees on file with the New York department?

The letter said "we do not presume to dictate or influence the terms of bargaining agreements between unions, their members and their employers. However, if such extraneous contracts; as well as union rules and regulations, affect the eligibility of union members for group insurance, unfairly operate to deprive employed members of coverage for all or a portion of the time, make coverage contingent upon the payment of premiums by parties not privy to the policy contract, make the issuance of individual certificates of insurance impracticable, . . . make percentage requirements difficult or impossible of ascertainment and otherwise do violence to the intent and purpose of the group insurance statutes, we then believe it is time to call upon the insurer to assume responsibility to see that the policy provisions are properly administered".

Farris C. Oden, manager of the Pampa, Tex. branch of the Panhandle Insurance Agency, has been elected executive vice-president of Western National Life of Amarillo. Mr. Oden, one of the founders of the company, is former mayor of Pampa.

The Chickering & Lane and G. Howard Robinson agencies at **Oakland, Cal.,** have merged and will hereafter operate as Chickering, Lane & Robinson.

NEWS OF FIELD MEN

Johnson Retires as North British Ind. State Agent

Concluding 32 years of service in the Indiana field with the North British group, State Agent John C. Johnson will retire Dec. 31. Willis Ludemann, state agent, will take over full supervision of the Indiana field, assisted by T. T. Lyman and V. G. Lofgren, special agents. Earlier this month at a luncheon, H. V. Tisdale, secretary, presented Mr. Johnson a portable radio on behalf of his field associates.

Madill Schools Criticized

At an inspection by Oklahoma Fire Prevention Assn. the schools of Madill were found not in good condition, according to D. E. Parry, Boston, association president. Recommendations are being sent to the school board and the city school superintendent urging immediate elimination of fire hazards. Noble Birmingham, London Assurance, addressed school children, and Marvin Elkins, Northern Assurance, showed the pictures used in the demonstration. Clarence Kelly of Cravens, Dargan & Co. was the luncheon speaker.

Bowles Named Special Agent

Robert L. Bowles has been named special agent for Brundick & Bowles general agency of Jacksonville, Fla. He is the son of L. T. Bowles, secretary of the general agency and is a graduate of the University of Florida where he majored in insurance. He has spent a year working in several departments in home offices of some of the companies in the agency, and has completed an insurance training course with one of the companies specializing in inland marine coverages.

Mark Perry Slated as Wash. F.U.A. President

Mark T. Perry, special agent at Seattle for Boston, is slated to become president of Washington Fire Underwriters Assn. at the annual meeting Jan. 4 at Seattle. He will succeed M. C. Johnson, district manager for Phoenix of Hartford. Van C. Griffin, Glens Falls, has been nominated for vice-president, and Charles S. Coffeen, New Hampshire, secretary-treasurer.

A cocktail hour and banquet will follow the annual business. R. N. Davis, Hartford Fire, is in charge of arrangements.

Numbers in Pittsburgh Post

Phoenix of London has appointed W. Claude Numbers special agent under P. J. Mullen, manager at Pittsburgh.

Smith to Beaumont Agency

Charles W. Smith, special agent at San Antonio for Continental of the America Fore group, has resigned to become a partner in the K. C. Withers & Co. agency of Beaumont. Mr. Smith has been in the business for 20 years, including seven years with the Texas Board of Commissioners.

Esten Shifts to D. C.

Pearl-American has transferred Lawence J. Esten as special agent to Washington, D. C., to assist Walter J. Sweeney, manager. Mr. Esten has been an underwriter for the middle department, including metropolitan Washington, for several years.

Coffeen to Home Office

Charles S. Coffeen, state agent in Washington for New Hampshire, has been transferred to the home office to serve in a supervisory capacity in the underwriting department for the far western field, as of Feb. 1. Francis J. Miller, now special agent at Spokane, will succeed Mr. Coffeen as Washington state agent with offices at Seattle. Hugh Duffield, formerly with Marsh & McLennan, will take over Mr. Miller's old field with headquarters at Spokane.

Slate N. Y. Pond Dance

The New York city Blue Goose will hold a St. Patrick's dinner dance at the Maplewood, N. J., Country Club in Maplewood on March 14. Robert F. Stumpf, 152 Market street, Paterson, chairman of the entertainment committee, is handling the reservations from his office.

The next regular meeting will be Past Most Loyal Gander's night and will be at Meyer's hotel, Hoboken, on Jan. 30.

Bowker in So. Cal. Field

Donald B. Bowker has been named by Corroon & Reynolds of California to take over the southern California field now traveled by George B. Seeberg, who has been recalled to the army. Mr. Bowker has been with Pacific Fire Rating Bureau. He was in the navy during the war.

Six new ganders were initiated at the December meeting of **Tennessee pond of Blue Goose** at Nashville.

Van Epps Rock Island Chief

Eugene E. Van Epps of Moline has been elected president of Rock Island Assn. of Insurance Agents, and also will be the association's representative on the Rock Island Chamber of Commerce.

Other new officers of the agents' group are: Vice-president, Francis J. Budelier, and secretary-treasurer, Harold Schroeder. New directors are: DeArmond S. Apple, C. A. Brady, G. L. Green, M. G. Larson, H. F. Mason and C. L. Sater.

New Miss. "Comp" Booklet

A new edition of the pamphlet covering the Mississippi workmen's compensation law which has been amended extensively and re-numbered sectionally to conform with its code of laws has been published by Assn. of Casualty & Surety Companies.

NEW YORK

AGENCY NAMES THREE V.-P.'s

Three new vice-presidents have been elected by the Whitehill agency of New York. Leslie K. Zipfel, manager of the casualty department, becomes vice-president in charge of casualty and automobile underwriting; Joseph A. Martin, who has been with the agency since 1928, is vice-president in charge of fire operations and L. E. Keifer, is now vice-president in charge of the production department.

SING AT GRAND CENTRAL

The 80-member choral ensemble of America Fore presented a special program of Christmas music from the balcony of Grand Central Terminal, New York. The America Fore singers were selected by Mary Lee Read, organist and director of New York Central's Christmas program, as one of the leading choral groups in the New York area.

HOME GIFTS SET RECORD

Police Commissioner George P. Monaghan has received from employes of Home the largest contribution of Christmas toys, dolls and games ever donated to the New York Police Athletic League by one group of individuals. Harold V. Smith, president of Home, made the presentation on behalf of the 59 Maiden Lane Club, company employe organization, as ceremonies at Home's head office. The total of 2,637 presents—averaging more than one for each of the Home employes—were distributed to the children of New York City as the various precinct stations throughout the city on Christmas eve.

MULTIPLE LINE COURSES

Insurance Society of New York is offering classes in casualty and surety for personnel of fire companies, and companion classes in fire and marine insurance for casualty company men. Lecturers are Leslie F. Tillinghast, secretary of Great American Indemnity, and George W. Tisdale, secretary of Commercial Union. Mr. Tillinghast's course begins Jan. 9, Mr. Tisdale's Jan. 3.

Seeks Traffic Accident Study

Ben Joyce of Lincoln, president of Nebraska Assn. of Insurance Agents, has asked Gov. Peterson to create a special fact-finding committee to study increases in traffic accidents and soaring automobile insurance losses.

Mr. Joyce suggested a five-point program: Better licensing laws and enforcement; uniform and improved vehicle inspection; highway engineering improvement; improved driver training; a unified and statewide propaganda campaign.

41st N. J. Radium Death

Another milestone in a famous occupational disease case that has long interested workmen's compensation underwriters was recorded last week when the 41st victim among former employes of the United States Radium Corp. at East Orange, N. J., died of cancer. The death of Mrs. Florence C. Caslar was attributed to her employment in the firm's plant in 1918. The victims contracted the fatal illness when they swallowed particles of radium as they wet with their lips the tips of brushes used to paint numerals on watch and clock dials. Her disease was first diagnosed in 1950 when she complained of pain. The doctors found that they were caused by the radon gas latent in her system for the past 33 years. Hers was the fourth case of this kind among the 41 reported. Thirty seven other victims died of blood poisoning, mostly within five or six years of the appearance of the symptoms.

Markel D. C. Case Postponed

WASHINGTON—District court hearing on the temporary restraining order and request for permanent injunction against enforcement of Superintendent Jordan's order revoking the license of American Fidelity & Casualty, was postponed from Dec. 20 to 29. Prospect was for further postponement until January 8 or 15, on account of the holidays and other activities.

The District of Columbia filed answer to the company's complaint and motion to dismiss it. The answer contends the court may not under the law go into the charges against the company, but must decide on the basis of the record in the case before the superintendent. That showed due process in hearing procedure and otherwise, it is contended.

Black Assistant; Not Manager

It was reported in THE NATIONAL UNDERWRITER of Dec. 20 that Ralph A. Black, newly appointed vice-president of Clarke F. Mair & Co., Chicago, had been Cook county manager of Northern Assurance. The title should have been assistant manager, a position he held from 1938 to 1949.

Frank A. Barnes, who is in charge of fleet rating for National Automobile Underwriters Assn., was honored by his associates at Chicago with a luncheon on his 25th anniversary with the organization.

State Senator M. Suzanne Loizeaux has joined the Small & Williams agency at **Plymouth, N. H.**

Randall Urges Aggressive Selling of Free Enterprise

Free enterprise must be perpetuated if the United States is to remain free, strong and productive, Jesse W. Randall, president of Travelers, told Economic Club of Detroit.

Urging the business men and industrialists not to allow the American system to go by default, Mr. Randall declared, "We must sell, sell, and resell to free Americans the philosophy which has kept us and our economy free."

He charged that the men who direct the production of wealth, which has given the American people the highest standard of living the world has ever known, have either taken our system for granted or have seemed apologetic for it in the face of the threats of those who would destroy it.

In his address, "Who's Afraid of the Big Bad Wolf?" Mr. Randall developed the theme of American strength and determination in the various crises which have confronted the nation since its inception. Likening these crises to unsuccessful attempts of the wolf, Mr. Randall said, "Today he appears more menacing than ever before simply because he is challenging the very way of life which has enabled us to meet these crises. He wants to destroy the private enterprise system and replace it with some sort of socialist state with its planned and regimented economy."

He said it has always been popular for dreamers and planners to denounce the free enterprise system, but, "Every time the big bad wolf comes clawing at our door they turn with a great sigh of relief to American business and industry to hold him at bay."

He urged private enterprise to arm itself with the doctrine of Americanism and offered a five-point credo: Belief in the profit motive; belief in the ability of Americans to conduct their lives and businesses in the best interests of their country; opposition to all paternalistic forms of government which seek to control and direct all the activities of the individual citizen; belief that the best security program is one of unlimited opportunity, and belief in the ability of the private enterprise system.

Dates for the fire department instructors' conference at Memphis, co-sponsored by the fire department there and the fire prevention department of Western Actuarial Bureau, have been changed from Jan. 15-18 to Jan. 8-11. More than 1,000 persons are expected to attend.

Descending Vehicle Is Not "Falling Object," Court Rules

A truck which, after an impact with the side of a bridge, hits an automobile with a descending motion cannot be considered a "falling object," and the incident is more aply described as a collision, Oklahoma supreme court has ruled.

W. I. Smith had his automobile badly damaged when crossing a bridge as a truck coming in the opposite direction hit the side of the bridge and had its rear end thrown in the air. The left rear wheel of the truck in descending smashed into Smith's automobile, and he said that this was falling object damage.

The court said that Webster does not so define a falling object.

The case is Concordia Fire vs. Smith, Oklahoma supreme court, CCH 37 (Automobile) 448.

La Salle Casualty Examined

Following an examination of La Salle Casualty of Chicago, the Illinois department has recommended that the terms of the agency contract providing for payment of commissions on the basis of premiums earned should be enforced instead of payment of commissions on written premiums. The examination covers the period Nov. 10, 1949-Dec. 31, 1950, and at the latter date shows assets of $867,605 and surplus to policyholders of $281,988.

Seymour B. Orner is president of La Salle Casualty.

Bonus for Gulf Staff

More than 300 employes of Gulf will split up $69,000 in year end bonuses, T. R. Mansfield, president, announced.

An extra $68,000 year-end dividend of 40c per share was also voted, increasing the total cash dividend during the year to $320,800 in addition to stock dividend of $140,000.

Insurance at Boat Show

Automobile, C. A. Hanson, and D. W. Sylvester Co., the latter two being New York City agencies that specialize in yacht insurance, will have exhibits at the annual motor boat show of National Assn. of Engine & Boat Manufacturers. The show is scheduled to take place at Grand Central Palace, in New York City Jan. 11-19. The theme of the insurance exhibits is usually the encouraging of proper maintenance of equipment and safety education.

Committees of Accountants

Committee chairmen of the Assn. of Casualty Accountants & Statisticians are as follows: Membership and constitution, H. O. VanTuyl, Phoenix Indemnity; fidelity and surety, J. C. Barrows, American Surety; statistical, D. M. Pruitt, General Accident; tax, W. H. Tallau, Commercial; accounting, C. G. VanderFeen, National Surety; accounting records and procedures, H. R. Pease, Travelers Indemnity; annual statement, Joseph Broucek, Hartford Accident; expense exhibits, John R. Irving, Fidelity & Casualty; advisory on accounting, Peter H. May, Maryland Casualty, and electronics, J. B. Clancy, Royal-Liverpool.

Consider Assigned Risk Rules

LOS ANGELES — Mervin Samuels, deputy insurance commissioner, held a brief hearing here on the proposed amendments to the rules and regulations of the California assigned risk plan. Maurice E. Pew, Farmers group, and George I. Conklin, Pacific Indemnity, members of the governing committee of the plan, and Manager Thomas G. Aston, Jr., supported the amendments.

There was no adverse comments made on the suggested changes. A further hearing was set for San Francisco.

Liaison on Sprinkler Standards

An industry advisory conference has been set up by Underwriters Laboratories to secure substantial agreement on standards for automobile sprinklers, as between the laboratories' standards and those imposed by factory mutuals' engineers and testing laboratories. Occasionally in the past when an insured shifted from stock companies to factory mutuals, or vice versa, the sprinklers approved by one and might be disapproved by the other. The advisory conference has on it representatives from National Automatic Sprinkler and Fire Control Assn.

Boom for Surplus Lines

SAN FRANCISCO—Shortage of admitted capacity, charged to present inflation conditions in this country, has resulted in a boom business for members of California Surplus Line Assn., according to Thomas A. Scadden, manager. Comparative figures have not yet been completed, Mr. Scadden said, but will be reported at the annual meetings at San Francisco Jan. 2 and Los Angeles Jan. 4.

Harrison to Spokane Agency

Almond Harrison, formerly branch manager for Pacific General Agency at Spokane, has joined the Farmin, Rothrock & Parrott agency of Spokane and Sandpoint. Earlier he was for eight years manager of the casualty department of Marsh & McLennan at Los Angeles.

Succeeding Mr. Harrison with Pacific General Agency is William E. Grant, who has been an auditor at Spokane since last January.

New W. C. Form in N. Y.

New York state workmen's compensation board has prescribed a new form C-9 to replace the old form 7-A effective Jan. 1, 1952. The form is that used by insurers to report to the board that a D. C. claimant's right to compensation is not controverted but that payment has not yet begun. Insurers had been dissatisfied with the old form and asked for a new one. The C-9 form was designed after several conferences. It must be filed before the 18th day of disability, or within 10 days after the employer has notice of the accident.

Cites Causes for High W. C. Cost

(CONTINUED FROM PAGE 1)

further need for treatment and that he was recovered. A state physician examined him on the day of the last hearing in the case and pronounced the claimant cured. The question was one of casual relationship. The employe was directed by the referee to produce a report of casually related disability during the period of reduced earnings, but he did not do so.

However, the referee suggested the claimant be paid and this suggestion was carried out, $50 to $100. Otherwise, Mr. Stone said, the employer feared he would be in serious trouble. Claimant might need a doctor to support his claim, or, the claimant might keep returning to the compensation court until he had seen enough to decide to make a really serious claim against the company for some further disability allegedly relating to the accident.

Aggregate Is Substantial

This situation is typical and is accepted by employers and insurers as a matter of course. Some awards paid under such circumstances are much more substantial. In a calendar of 40 cases before a given referee a thing of this nature probably occurs several times. On a state wide basis, the aggregate amount is a substantial figure.

Mr. Stone also commented on traumatic neuroses cases, where awards are made though "reasonable men outside the workmen's compensation court simply do not believe the opinions of psychiatrists in many" such cases. Psychiatrists admit there is a large element of conscious exaggeration; that differential diagnosis is malingering; that the neurosis itself is not disabling and that physically the claimant could work; that if there were no W. C., if the case were closed or otherwise disposed of so the claimant had no hope of securing W. C., claimant would go back to work and never complain again. Yet the state holds a claim open on the grounds that the claimant is disabled by functional disorder. It is a 99 to 1 certainty the only way the case ever will be closed is through a substantial lump sum payment.

This constitutes one of the biggest items of unnecessary cost in compensation, Mr. Stone declared. Such cases should be closed without further awards. There are so many of them and they are so costly, some of them being paid for life, Mr. Stone believes them the largest single element of unwarranted W. C. cost.

Become "Neurosis" Cases

The W. C. board reports only 163 neuroses cases in which outside medical specialists were called in in 1950, but tion, Mr. Stone declared. Such cases cases start out as back, shoulder, arm, etc., injuries and it is only after a few months or a few years that physicians reach an agreement that the claimant presents no objective evidence of injury and that the inability to work is functional. The board has refused to close cases of functional complaint. Such claimant must be sent to a phychiatrist.

There are other types of cases, Mr. Stone said. The "untrammeled power of the referee to adjourn and adjourn, the authority which the law gives the claimant to go to as many doctors as he pleases, the phantom of traumatic neuroses which is the background of every case, are in constant use against employers," Mr. Stone declared. This is all because of the rule that all doubts should be resolved in favor of the claimant.

PARTIAL DEAFNESS

W. C. insurers consider the trend serious in possible liability for partial loss of hearing. One very large group of cases has been filed against Bethlehem Steel Co. in Jersey City. Myer Braiman, Rochester attorney, discussed the problem of occupational deafness or boiler maker's deafness at the self-insurers meeting.

This is not a new problem, he said, but in the past few years it has become acute. He recalled the case of Slawinski vs. J. H. Williams Co., decided in 1948 by the New York court of appeals. Prior to that, many believed that under the law no award could be made in deafness cases if the individual continued employed at full wages in his regular occupation. Loss of hearing had to be traumatic and total. He also noted the Rosati vs. Despatch Shops, Inc., dealing with occupational deafness. Both cases were litigated on the main point that there should be no award unless there were loss of earnings.

Get Avalanche of Claims

In large steel fabricating plants, if riveting is done, almost everyone is exposed and may show some loss of hearing, he said. The two cases above were followed by an immediate avalanche of claims in Rochester and Buffalo. Examinations were made and these revealed variations in degree of hearing both up and down and by day of week. The presence of a cold had some influence. The loss of hearing was rarely the same on two consecutive examinations.

The law refers to permanent partial disability, and it was reasoned that the readings on loss of hearing should be practically the same. Awards were made in every case. However, an outside doctor called by referee upheld the reasoning that there should be no substantial variations. The awards were rescinded, but the finding of occupational deafness was affirmed. Cases were closed without prejudice to the claimants' right to reopen when there was evidence to support such application. In later cases, no such open door was left.

Recent Decisions

In discussing W. C. decisions during the past year under the New York law, Joseph D. Edwards, New York City attorney, noted the continued trend in the direction of a climate in which many of those connected with W. C. consider it not worth the effort to controvert W. C. cases. He also noted that there were some decisions in mid-1951 that hold a significant warning to insurers and self insurers, to step into authorization of exploratory operations very cautiously. Otherwise the employer can be held for a non-related condition that leads to the operation and death. There was one case of a painter who sustained a mild head injury but then developed seizures. A brain operation turned up a tumor not related to the accident. However, the operation resulted in death, and the death was held compensable. This was Vaneeck vs. Greeley Square Building Corp. Another case has a similar result.

Dr. C. Stewart Nash, otolaryngologist of Rochester, discussed medical aspects of industrial loss of hearing. O. M. Brees, member of the New York legislature, talked on amendments to the New York unemployment insurance law.

Auto PH.D. Rates Are Boosted in New York

(CONTINUED FROM PAGE 1)

higher deductible collision premiums and the $50 and lower deductible premiums on private passenger cars.

The revised rates will apply to all new and renewal policies written on and after Dec. 31 and to all policies written to become effective on and after Feb. 1, 1952, regardless of when written.

This revision will result in an estimated over-all increase of 9.4% in the general rate level.

MARINE INSURANCE NEWS

Ord Retires; Crossan Head of Johnson & Higgins of Cal.

W. E. J. Ord has retired as president of Johnson & Higgins of California and E. P. Crossan has been elected to succeed him.

Mr. Ord is closing a marine insurance career extending over more than 50 years. Starting in a Lloyds agency at Brisbane, Australia, he went to London in 1902 with British & Foreign Marine. In 1907 he joined Balfour, Guthrie & Co. at San Francisco, and shortly became manager of that firm's marine department. In 1928 he joined the Johnson & Higgins organization, in which he has been active ever since. He has served as director and president of Johnson & Higgins of California, and director of the parent corporation.

Mr. Crossan joined Johnson & Higgins at San Francisco in 1920, a year before graduating from University of California, and has spent his entire business life with that firm. He has served as manager of the marine department, director and first vice-president of Johnson & Higgins of California, and since 1943 has been a director of the parent corporation.

Ups Bridge, Tunnel Cover

A substantial increase in insurance has been secured by Port Authority of New York for bridges and tunnels, to cover increased replacement costs. The amount on the Brooklyn-Battery vehicular tunnel has been increased from $33,500,000 to $53,342,000, a 60% rise in the physical damage cover. The U. & O. is up 25% from $4 million to $5 million. On the Queens tunnel the increase is 50%, $24 million to $36 million physical damage and from $3 million to $3,400,000 on U. & O.

The bridge schedule, which was $61,434,000, is now $76,184,000, an increase of 24% with a like percentage increase on U. & O. from $13 million to $16,120,000. On physical damage there are substantial deductibles, for example, on the Holland tunnel there is a $250,000 deductible. The U. & O. generally calls for a 7-day wait. Less than half the insurance was placed in London, the remainder in the American market.

Conn. Mariners Hear Morgan

Walter L. Morgan, fire rate analyst of the Connecticut department, discussed the processing of rate filings by companies and bureaus at the December meeting of the Mariners Club of Connecticut at Hartford.

$12 Million Bridge Cover

The Elizabeth River, Va., bridge-tunnel commission is seeking insurance commitments on the $12 million bridge and tunnel at Norfolk due for completion next April. The bridge will cross a branch of the Elizabeth river to Berkley, where it goes under the Elizabeth river in a tunnel to Portsmouth.

Paulsen Named to Faculty

Paul H. Paulsen has joined the faculty of the insurance school of Insurance Society of New York, teaching packaging and loss prevention in the general shipping procedure course. He is senior engineer of Wm. H. McGee & Co., where he started in 1928 as cargo and hull surveyor. He is president of the eastern division of Society of Industrial Packaging & Materials Handling Engineers.

Atlantic Appoints Jacobi

Atlantic Mutual has appointed Walter M. Jacobi special agent for central Pennsylvania. Mr. Jacobi entered the business in that territory in 1935. The company has also named Joseph C. Hayes underwriter at Philadelphia.

New York Defense Council Asks War Damage Cover

The New York state civil defense council has called on the federal government to accept the financial responsibility for insuring defense workers and guaranteeing war risk liability for property damage in the event of enemy attack.

A council resolution asked Congress to enact a law "by which the federal government will assume financial responsibility for workmen's compensation protection and such other forms of insurance for war risk liabilities as will guarantee the greatest possible participation of people in defense mobilization."

Governor Dewey said at a press conference that the state's civil defense recruiting efforts were hampered by the reluctance of people to enlist without broader insurance coverage.

The state workmen's compensation board has called a meeting on war damage insurance at Albany on Jan. 8. Members of the board's workmen's compensation advisory committee have been asked to submit a copy of all pending bills on war damage. These will be discussed at the meeting. Chairman Mary Donlon has asked each member of the committee to come prepared to discuss the matter in detail. If possible the group will arrive at some conclusion on general principles.

Neb. 1952 Club to Elect

Nebraska 1752 Club will hold its annual meeting at Lincoln Jan. 11.

Aetna Class Hears O'Hazo

Andrew M. O'Hazo, local agent at Bristol, Conn., addressed the 125th graduating class of the Aetna Casualty home office sales course. A graduate himself, Mr. Hazo said the development of clients who already had placed insurance with him provided his greatest source of new business.

The class was led by Lawrence M. Steinheimer, Jr., Savannah, Ga. Awards for high scholastic standing went to Carl A. Berg, Cavalier, N. D.; Clifford L. Brandt, Port Huron, Mich.; S. Howard Davis, Hillsboro, Ore., John A. Bryant, Redding, Cal.; Robert P. Chapman, Freeport, Ill., and Paul T. Scattergood, Philadelphia.

Awards for outstanding skill in soliciting techniques went to Douglas A. Bora, Rowayton, Conn., Mr. Davis, Grant E. Hoople, Oxnard, Cal., and Mr. Steinheimer.

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WORKMEN'S COMPENSATION

New York "Comp" Rates Are Increased 1.9%

Workmen's compensation rates in New York state have been increased 1.9% over-all effective Jan. 1.

The revisions filed by Compensation Insurance Rating Board and approved by the department involve also changes in classification relativity, loss and expense constant and minimum premiums.

Changes were filed for 684 classes of risks, of which 431 were given increases and 224 had decreases. Premiums for 29 other classes were unchanged.

Rates for manufacturing risks are up 2.3% and window cleaning, barber shops and beauty parlors have been increased 3.5%.

The New York department has approved premium discounts on policies with rating anniversaries of Jan. 1 and thereafter for stock and non-stock companies.

There is no discount for the first $1,000 of total standard premium, but for the next $4,000 there is 8.8% discount for stock and 3.0% for non-stock. For the next $95,000 the discount is 14.1% for stock and 6.1% for non-stock. For premiums over $100,000 it is 15.7% for stock and 6.1% for non-stock.

CIO to Oppose Changes in New York's W.C. Law

The New York state CIO has announced that it will oppose anticipated employer efforts to amend the state's workmen's compensation law at the 1952 legislature session.

Louis Hollander, president of the union group, said his organization would oppose the proposals of Associated Industries to set up a new panel of compensation judges and that it would also fight any attempts to curb the activities of the state insurance fund. He said CIO will ask the legislature to conduct an open inquiry into workmen's compensation to "forestall anticipated Republican efforts to change the law." He said that industry is trying to take away business from the state fund so that more W.C. could be given to private insurers at substantially higher premium rates.

Ill. Restricts Self-Insurers

The Illinois attorney general has advised the state industrial commission that an employer who is qualified as a self-insurer can not carry primary compensation insurance on a specific group of employes and that an employer carrying primary insurance may not carry separate policies on specific employes or groups of employes.

The commission has notified all carriers that they must terminate any policies now in force which are in violation of this rule.

Chair in Driver Education at Michigan State College

LANSING, MICH.—A broad, new program for stimulating driver education in Michigan schools was launched at a meeting at Michigan State College with assistance from the Michigan inter-industry highway safety committee, which includes several insurance groups.

A check for $10,000 was presented to Dr. John A. Hannah, president of the college, by Jack Rose, Detroit auto dealer and chairman of the committee, to be used to establish a professorship in driver education. L. R. Silvernail, former safety education supervisor for the Cleveland public schools, who has been in charge of a school bus driver educational program for a year and a half, will be in charge of the new college course as professor of driver education. He will give a credit course in that subject to teachers and prospective teachers in high schools. The work will be handled both through college classes on campus and in off-campus courses throughout the state.

About 50 persons representing the various groups represented on the committee were in attendance, including the stock and mutual insurers, Michigan Assn. of Insurance Agents, and automobile manufacturers and dealers.

Mountain Surety Assn. Elects

Rocky Mountain Surety Managers Assn. has elected these officers: President, Raymond O. McKenzie, Fidelity & Deposit; vice-president, Robert W. Beale, Fireman's Fund Indemnity; secretary, C. Darwin Schenck, U. S. F. & G.

WANT ADS

EDITORIAL COMMENT

Sales Tips in the News

One value to the agent of reading the news of his business is that coming events cast their shadows before them. It is quite apparent from the news that before long there will be an increase in the premium charged for higher limits on liability policies. Representatives of reinsurers and of primary companies have been talking about the necessity of such an increase.

As Robert A. Braddock of General Reinsurance pointed out in St. Paul the other day, $1.65 for the difference in protection between 25/50 and 50/100 is a gamble that no individual would take, and insurers are going to want more money to supply.

With this increase in price for excess limits, one of the greatest bargains in the liability—or any insurance—field is going to cost insured more. For agents who have not brought their insured up to a modern limit basis, the time is short in which to do it. It is going to be more difficult to sell 50/100 to an insured who has been carrying 25/50 or less, when that difference costs perhaps twice as much as it does today. Daily newspaper accounts of jury verdicts and court settlements are conditioning the public to the need for higher limits.

It is time to ask clients if they want modern automobile protection; it is time to tell them that they cannot afford to be without it. Some agents are doing exactly this, and in the process they are not overlooking the property damage liability.

Others' Experience Can Be Heartening

To the insurance executive who sometimes wonders at the amount of paper work involved in his business and who has had to listen to comments about the number of committees that function in his field, the following will be of interest. It is taken from a study of company organization made by Ernest Dale, American Management Assn. research associate.

One company plotted the number of persons through whom an order for a durable instrument went from receipt to shipment—and the chart showing its meanderings was 30 feet long. There are small companies of 1,000 employes with as many as ten levels of supervision.

Another comment from the study: It is high time the alternatives to committee management be studied. For many of the top executives interviewed do not like committees for many purposes. There were complaints about too many meetings taking too much time of too many executives. Often subjects brought up involve less money than the time of the executives discussing them is worth; e.g., a $100 contribution to a charity organization. Of course there are drawbacks to one man decision making. But investigation is needed of the circumstances under which inidivdual decision making is superior to committee decision making.

PERSONAL SIDE OF THE BUSINESS

Joseph F. Osten, life manager of Associated Agencies of Chicago, is spending the holidays in Palm Beach and Havana.

Herbert Lorber, head of the Rollins-Burdick-Hunter Co. agency of Chicago, and Mrs. Lorber flew west to have Christmas with their daughter and son-in-law, Mr. and Mrs. David Betcone at Tacoma, Wash. Adding interest to the trip is Beverly Betcone, the No. 3 child in the family who was just three weeks old at Christmas.

Reed Penington, general agent at Denver, is enjoying a vacation at Fort Lauderdale, Fla.

W. M. Churchill, Associated Aviation Underwriters, is recuperating from an operation at his home in Roslyn, Long Island.

James F. Van Vechten, president National Assn. of Insurance Agents, and Mrs. Van Vechten are recuperating at their home at Akron, O. At the end of the National Assn. of Insurance Commissioners meeting at New York Mr. Van Vechten collapsed from overwork in their hotel room and fell against Mrs. Van Vechten, who suffered a broken shoulder.

Corp. Morgan B. Brainard, 3d, son of Morgan B. Brainard, Jr., vice-president and assistant treasurer of the Aetna Life companies, has been awarded the Bronze Star medal for meritorious service in Korea.

Malcolm Taylor, managing underwriter for the Lloyds division of Nathan L. Fairbairn Underwriters of San Francisco, has underwritten many Lloyds' twin insurance policies, but even though he was expecting an addition to his family, he failed to take out twin insurance. His wife, Aileen, presented him with twins.

Paul C. Covert, local agent of Billings, Mont., has been elected president of Billings Commercial Club. Mr. Covert, as chairman of the fire prevention committee of the Billings Commercial Club, headed the active drive for fire prevention in the city which resulted in a reduction of the National Board grading from class 6 to class 4, in 1950.

W. Harold Leonhart of Leonhart & Co., Baltimore, reinsurance intermediary, is marking his 30th year in the business and to celebrate the event has been giving 30 cents, a quarter and a nickel, with a printed piece calling attention to the anniversary, to customers and friends.

Reuben P. Miller of the Wade Patton & Co. agency and fire prevention chairman for many years of the Hutchinson, Kan., Insurance Board was married Dec. 18 at Hutchinson to Miss Elsie Phillips of that city. Mr. Miller won the Alex Case memorial cup for fire prevention year round activity three years ago at the annual convention of Kansas Assn. of Insurance Agents.

C. S. Band, chairman of Canadian Surety, has been named vice-president of Manufacturers Life. Mr. Band has been a director of Manufacturers since 1938.

Alan Hoelting, who recently joined the marine department of General of Seattle, has been recalled to active duty in the navy. He will serve at Washington as administrator of the naval reserve program.

DEATHS

JOHN K. WALKER, partner in the Moore, Case, Lyman & Hubbard agency at Chicago, died at Hot Springs, Ark., where he had maintained a home since 1942. Mr. Walker joined the agency in 1920 as a full partner and from 1935 to 1948 was senior partner and executive officer. Before joining the agency, Mr. Walker was assistant western manager of North America. He entered insurance at Chicago in 1897 with Springfield F. & M., went with Northern Assurance in 1906 and joined North America in 1911. Mr. Walker enjoyed a nationwide reputation for underwriting unusual risks and also was one of the pioneers in developing U. & O. coverage. An ardent golfer, he was for a number of years champion or runner-up in the annual tournament of the Chicago Board.

LEWIS J. HEINS, retired chief auditor of the Fire Association, died at Somers Point, N. J. He had been with the company 50 years when he retired in 1941.

CLARENCE W. DUNNE, associate publisher of the "Insurance Index" and "Dunne's Reports," died at Phoenix, Ariz. Mr. Dunne joined the "Insurance Index," in 1931 and together with his brother, James E. Dunne, and a nephew, Charles D. Dunne, was a founder of Dunne's Insurance Reports. His health for the past two years has been poor and he conducted his work from Arizona.

EVART LAMPING, president of the Lamping & Co. general agency at Seattle, died at Virginia Mason hospital there following a long illness. He organized the agency in 1908 and since then played a prominent part in organization activities. He was for 35 years a member of Washington advisory committee and served a long term as president of Northwest General Agents Assn., retiring from that office last year due to ill health. A son, John C. Lamping, is active in the agency. A brother, George B. Lamping, also well known in Washington insurance circles, died last month.

BOLDEN T. MILLS, 56, retired manager of Allstate at Richmond, Va., died there.

FRED H. DIBBLE, 64, general agent for Provident Life & Accident at Los Angeles, died from coronary thrombosis, following confinement to a hospital. He entered insurance at Grand Rapids, Mich., in 1909, and was transferred to Los Angeles in 1921. He was named general agent of Provident L. & A. in 1931. His son, Judd Dibble has been a partner with his father since 1936. He was active in A. & H. Managers Club, and Los Angeles L. & A. Claims Assn.

OTTO E. GILMAN, 78, Los Angeles local agent, died at his home there after a brief illness.

HARRY P. CLOUGH, 67, local agent, at Los Angeles, died there. He had been in the insurance business for many years.

HARRY W. DAVIS, 69, partner with Byron Astel in the Fontron agency, Hutchinson, Kan., prominent in the affairs of Hutchinson and Kansas Assns. of Insurance Agents for more than 25 years, was found dead at his home. He had been with the Fontron agency since 1910 and with Mr. Astle purchased the business in 1925. He was a past president of the Hutchinson board.

FRED W. WITTKOWSKI, 58, safety engineer for Employers Mutual Casualty of Des Moines, died of a heart attack at Shenandoah, Ia. He had been with the company for 10 years.

JOHN LEE, 32, of Iowa Falls, Ia., an adjuster for Farmers Mutual, died at Spirit Lake of injuries suffered in a fall from a ladder while inspecting the roof of a farm house.

MRS. JEAN M. LIVINGSTON, widow of Charles D. Livingston, who was Michigan commissioner from 1926 through 1931, died at Akron, O. Burial was at Detroit. Mrs. Livingston's brother, Arthur N. McDougall, is a retired Michigan state agent of Royal Exchange.

N. J. CPU's Elect Roerink

The New Jersey C.P.C.U. has elected Garret W. Roerink, analyst of American group, president, Ira F. Weisbart of the Weisbart agency of Jersey City who is also a C.L.U., vice- president, and Frederick S. Applegate, underwriting manager of Thoms Merrill & Company, Newark, secretary-treasurer.

Before adjourning for the chapter's Christmas party Mr. Roerink, chairman of the committee on research the past year announced the committee has completed its review of 368 replies to its questionnaire on "What Do You Want In Multiple Peril Policies on Personal-Residential Lines?" sent to all 687 CPCU's throughout the country. A national summary of the replies will be released in January to all who returned the questionnaire.

Thyselius Up in Hooper-Holmes

Albert E. Thyselius has been advanced from assistant vice-president to vice-president of Hooper-Holmes Bureau. He spent several years in Jersey City and Newark before going to the head office in New York City in 1912.

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SAN FRANCISCO 4, CAL.—507 Flatiron Bldg., Tel. Exbrook 2-3054. F. W. Bland, Pacific Coast Manager.

More Care Given for Same Income Share—AMA

Public benefit in the great spread of hospitalization, medical and surgical insurance is seen in a report from the American Medical Assn. which says that Americans are getting more and better medical care than they did 20 years ago for the same proportion of their family budget. Durding the last 20 years the amount of the consumer's budget spent for medical care has fluctuated around 4%, according to the Department of Commerce. In 1942 it was 4.2% and in 1950 4.4%. The rise in the last five years reflects wartime conditions according to AMA which cites the increase in hospital room rates, the climbing birth rate, and increased use of hospitals.

AMA says that the physician's share of the medical dollar has actually dropped 12% in the last 20 years from 31.8 cents to 29.1 cents, while the hospital's share grows 6%, from 13.9 cents to 23.1 cents. According to the study only 53% of a week's wages was necessary in 1950 to buy the same medical services for which the worker spent a week's wages during 1935-39. The patient received more service in 1950 than he did in 1935, from one-third to one-half again as much, said the AMA pointing to the introduction of "wonder" drugs, improved transportation, by more patients seen in offices and clinics that helps the average physician to give more service.

Installment Payments Are Equal to Insurable Interest

After having been paid the agreed value of all property lost in a fire, including total payments made by insured upon bailment leases for a soda fountain, a slicing machine and a cash register, the insured sought to recover for balances due the bailors under his bailment contract, and Pennsylvania superior court affirmed a ruling denying such recovery. Since the policy provided coverage to the extent of actual cash value of the property at time of loss, but only to the extent of the interest of the insured in such property, the court said that the question as to any other obligation under the bailment leases was a matter between the bailor and bailee.

Insured operated a luncheonette which was totally destroyed by fire. The insurer, Home, paid the agreed value of all property. The court held that the suit to collect from Home the balance due bailors on the three items of equipment was limited by the policy wording of actual cash value not more than the interest of the insured. The policy insures the interest of the insured in the property and not the property itself, the court said. The actual cash value of his interest in the equipment was not greater than the installments he had paid on the leases and that had been paid to him. The case is McCoy vs Home, Pennsylvania superior court 7 CCH (Fire & Casualty) 657.

Dinner at Port Orchard

South Kitsap Insurance Agents Assn. held a dinner meeting at Port Orchard, Wash. Conferring with the association were three officers of the state association, Matt F. Maury, Olympia, vice-president; W. W. Fry, Tacoma, secretary-treasurer, and Irwin Mesher, executive secretary.

Henbest New President

Robert L. Henbest was elected president of Chemung County Assn. of Insurance Agents at a meeting at Elmira, N. Y. Other officers are: Vice-president, James W. Kellogg; secretary, James Havens; treasurer, Charles H. Goodyear, Jr.

Arson Seminar at Purdue

The annual seminar and training course for arson investigators will be held at Purdue University April 28-May 2. It is conducted by the Public Safety Institute of Purdue, with the cooperation of local, state and national organizations interested in arson control and prevention.

Wis. Assigned Risk Plan Revised

MILWAUKEE—Effective Jan. 1, the Wisconsin Automobile Assigned Risk Plan will be liberalized in the interest of better public service, according to E. W. Kraus, manager. In accordance with the proposal of the National Advisory Committee, the Wisconsin plan has been amended to provide coverage within three days of receipt by the designated carrier of the notice of designation from the manager, with the premium or deposit, together with the application form containing pertinent information con-

The revised plan eliminates the surcerning the applicant for insurance. charge on clean risks. The changes bring the plan into general agreement with other plans across the country.

July 2 Levinson Loses License

July 2 Levinson of 2828 Kings Highway, Brooklyn, has had her insurance agent's license revoked by the New York department on the ground of being untrustworthy within the meaning of the insurance law and of being guilty of fraudulent and dishonest practices. This was after a hearing.

She was charged with having caused an insurer to issue policies without the authorization of the purported insured and that she withheld the proceeds of claims that arose under these policies.

The Fire & Marine Adjustment Co. of Oklahoma City is moving within the next few days into its own building which is located at 425 Southwest 26th street. Hal A. Welch is the owner and manager.

Group Sales Opportunities to Be Aired at Chicago

Insurance Brokers Assn. of Illinois is sponsoring a forum on the sales opportunities unleashed by the lifting of the freeze on group insurance at 1:30 p.m., Dec. 28, in the Chicago Board auditorium in the Insurance Exchange building. Charles D. Spencer, editor of "Employee Benefit Plans Review," will preside, and a number of group insurance men from Chicago will comprise a panel.

2nd Chicago Claim Course Registration Now Accepted

The second casualty claims course at DePaul university, Chicago, is scheduled to begin Feb. 5, under the joint sponsorship of DePaul and the Chicago Casualty Adjusters Assn. The course which stresses the fundamentals in handling claims under policies issued by casualty companies, is taught by Joseph W. Griffin of the law firm of Hinson & Doyle.

Registration fee for the 17 sessions is $40 payable at DePaul college of law or to Robert T. Luce, association secretary. The present class of 56 students graduates on Jan. 18.

Wendelin Denver President

Ted Wendelin, manager insurance department of Title Guaranty Co., has been elected president of Denver Insurors; Walker Garrott, vice-president; John Stearns, secretary, and Jack Walker, treasurer. New directors are Hal Johnston and Burt McGhee. The new officers were installed at the Christmas party at Lakewood Country Club Dec. 13.

ACCIDENT AND HEALTH

American Casualty Covers Civilian Defense Groups

American Casualty is marketing group accident cover for civilian defense councils. The company does not require that all volunteers in a local council be insured. However, all volunteers in any one category or classification must be insured. The minimum council premium is $50 and the individual premium is $2 per year.

The plan offers $1,000 accidental death and dismemberment, $500 blanket accident medical expense, $25 weekly disability income payable from the first day for a maximum of 52 weeks.

The agreement covers any injury sustained while participating in authorized activities of the civil defense organization. The policy does not cover persons under 16 or over 70, injuries resulting from war or any act of war, injuries sustained while the insured volunteer is operating, learning to operate or serving as a member of the crew of any aircraft.

Indemnity of N.A. Extends Group A. & H. Facilities

Indemnity of North America is extending its group A. & H. underwriting facilities to all parts of the United States. Previously, production activities in these lines have been confined to the territories served by service offices in the east. The announcement was made at a meeting at Chicago attended by service office managers and A. & H. specialists from all service offices west of Pittsburgh.

It was held to familiarize field men with information on the company's program for the development of A. & H. business. The two-day meeting was conducted by J. M. Crawford, vice-president; W. E. Kipp, assistant secretary, and Edwin H. Marshall, superintendent of the A. & H. department.

In addition to the standard forms of group A. & H., the company has also developed facilities for handling key man group insurance and professional association group business, which also is to be extended on a country-wide basis.

Do Teachers Selling School A. & H. Cover Need Licenses?

DES MOINES—The Iowa department has asked the attorney general's office for a ruling on whether school teachers and other school personnel handling A. & H. insurance on pupils should be required to be licensed as agents. The matter was presented to the department by a committee from Iowa Assn. of Insurance Agents, headed by C. B. Donahue of Hampton, which had been investigating the matter for two months.

Operations which they questioned included the company operated by Iowa High School Athletic Assn. and Horace Mann Casualty. The committee contended that the insurance written by those companies was being solicited and sold through persons not holding agent licenses; that some schools are requiring all pupils engaged in athletics to purchase insurance from Iowa High School Ins. Co., and that the operation is not to the best interests of those who purchase the coverage or to the free enterprise system in general.

The department pointed out that it has no jurisdiction over such sales except where agents are actually licensed. It agreed, however, to ask for the ruling on whether school personnel handling such insurance should be required to be licensed. Horace Mann has 77 agents licensed in the state and Iowa High School has none.

Must Spell Out Combination

The Maryland department, which heretofore has refused approval to policies or applications providing life and A. & H. coverage in combination, has amended the rule so far as group business is concerned. However, the insurer is required to prepart a certificate for every combination of coverages, even though there may be only one such coverage, to which any employe may be entitled.

It will not approve a master combination certificate where the procedure is to eliminate certain coverages (those to which a particular employe is not entitled) by rider or endorsement.

License New Okla. Company

Great Western Life of Oklahoma City has been licensed in Oklahoma to write life and A. & H. It is a stipulated premium company recently organized with Joseph E. McDowell, Oklahoma City, president and J. L. Fife, Seminole, secretary.

Los Angeles Claim Men Elect

Los Angeles Life & Accident Claim Assn. has elected these officers: President, John Stunkard, Founders; vice-president, William Grimes, Equitable Society; secretary, Charles Don Hankin, Occidental Life of California.

Plan Washington U. Course

John A. Dugan, General American Life, president of A. & H. Underwriters Assn. of St. Louis, plans to call a meeting of the officers and directors of that association early in January to consider plans for an arrangement with Washington University of St. Louis to conduct an A. & H. sales course, patterned along the lines of the three-day pilot run of the disability insurance sales course of the International association recently held at University of Illinois.

New Orleans Group Elects

George H. O'Connor, assistant manager of National Surety, has been elected president of Surety Assn. of New Orleans. Carl C. Cowland, Employers group, is vice-president and J. D. Sullivan, Fidelity & Casualty, secretary-treasurer.

Miss Eleanor Southgate, the youngest daughter of Thomas F. Southgate, has joined her father's agency at Durham, N. C. She is the great granddaughter of the father of the agency.

CHANGES

Mercer Heads American Bonding as Well as F. & D.

B. H. Mercer, president of Fidelity & Deposit, has been elected to the same position in American Bonding.

Standard Accident Names 2

Hamilton H. Traylor has been appointed claim representative at Dallas for Standard Accident, and Jay G. Koons has been named claim representative at Harrisburg.

New U.S.F.&G. S. C. Office

U. S. F. & G. has opened a branch office for South Carolina at Columbia, and William T. Parish, Jr., assistant manager at Louisville, has been appointed manager there. Robert A. Bolin, special agent at Atlanta, is the new assistant manager at Columbia.

McCrae Ill. Special Agent

Tom McCrae has been appointed special agent in Illinois for the Ohio Farmers companies, specializing in casualty lines. He will travel from Peoria. Mr. McCrae has been in the home office casualty underwriting department at Leroy since 1949.

Hickey Transferred to Iowa

Philip J. Hickey has been appointed special agent in northwest Iowa for Hartford Accident. He has been with the company since 1942 except for two years in the army. He has served in the compensation and liability department, the business development and special service departments and most recently as underwriter in the Evanston, Ill., office.

Rasmussen Named at Chgo.

Alvin Rasmussen has been named superintendent of special service in Hartford Accident's western department with headquarters at Chicago. He was trained in the company's renewal department, is a graduate of Michigan State College and a navy veteran.

Pumping Plant Award Let

Rothschild, Raffin & Wiereck and the Pacific Bridge Co., both of San Francisco, jointly have been awarded the contract by the city and county of San Francisco for construction of a pumping plant at Lake Merced, at $1,064,570. Fidelity & Deposit is on the bond for Pacific Bridge Co.

Pacific Coast Independents Form Advisory Body

Eight Companies at San Diego Meeting Organize Statistics, Discussion Unit

LOS ANGELES—Eight of the largest independent companies on the Pacific Coast, meeting last week at San Diego, agreed to form an advisory organization, "to collect loss and expense statistics and other statistical information for submission to its members and to rating organizations, and to discuss industry problems on policy forms and underwriting rules and to make advisory recommendations to members as to rates, underwriting rules and policy forms."

The companies participating in the new organization are Founders, Guarantee, National Automobile & Casualty, Pacific Automobile, Pacific Employers, Pacific Indemnity (all of Los Angeles), and Northwest Casualty of Seattle and United Pacific of Tacoma.

J. T. Blalock of Pacific Indemnity is president of the group, and the other officers are: Vice-president, Ray McGuire, Pacific Employers; secretary-treasurer, J. E. McGuigan, National Automobile & Casualty.

The association will solicit membership of any stock company doing business on the agency system and within the states comprising zone 6 of National Assn. of Insurance Commissioners.

Mr. Blalock, announcing formation of the organization, notes that the need for accumulation of loss and expense experience of the independent companies on the Pacific Coast has long been pressing. Such experience is needed by established rate-making organizations in order that they may function more expeditiously and effectively.

Pacific Coast Advisory Assn. is to be administered by a five-man governing board. Members of the board are Victor Montgomery, Pacific Employers; William F. Gaynor, Pacific Indemnity; William N. McGee, Pacific Automobile; J. C. McClure, National Automobile & Casualty, and Ralph J. Inglis, Founders.

Juries Doling Out Money With Inflated Abandon

A total of $152,623 in damages was awarded to five persons injured in an automobile-truck accident two years ago by the Tolland county superior court at Rockville, Conn. A car driven by a 17 year old, William Goyette of Somers, hit a truck filled with 17 tobacco workers. One of the injured received $81,323.

In federal court at Brooklyn, Mrs. Frances Citron of Freeport, L. I., was awarded $125,000 for the death of her husband, Henry in the Richmond Hill wreck of the Long Island Railroad in 1950. This is an unusually high award in a death case, where damages usually run lower than those involving a permanent injury. Mr. Citron left a widow and two children. The jury deliberated less than three hours.

Reid Andrews, insurance manager of American Blower Corp., led a discussion on insurance inspection reports at the December meeting of Insurance Buyers Assn. of Detroit.

U. S. F. & G. Names Assistant Managers in Five Cities

New associate and assistant managers have been appointed by U.S.F.&G. effective Jan. 1. They include the following:

At Chicago, David T. Harper becomes assistant manager in charge of fidelity and surety. Mr. Harper started at the home office in 1910. After assignments in Kansas City and Oklahoma City, he was transferred to Chicago in 1934 as fidelity and surety superintendent.

Herbert W. Mueller is named assistant manager in charge of casualty. Mr. Mueller joined U.S.F.&G. at Chicago in 1939, served in the army, became special risks superintendent in 1949, and casualty superintendent that same year.

B. H. Roberts is assistant manager in charge of fire. Mr. Roberts joined F. & G. in 1930 and was special agent in Columbus, Toledo, and Detroit, before entering the navy in 1943. Since the war, he had been state agent at Indianapolis, and from 1947, F. & G. Chicago manager.

At San Francisco Conrad H. Menchine is named assistant manager in charge of fire. Mr. Menchine joined F. & G. in 1931 and before he entered the army in 1942 had been Philadelphia office manager. Upon discharge he became a field man in Maryland and in 1950 was named F. & G.'s San Francisco manager.

At Los Angeles A. R. Latimer becomes assistant manager in charge of fire. Mr. Latimer joined the F. & G. in 1939 as Los Angeles special agent. He was appointed Los Angeles manager in 1948.

At Portland, Ore., George C. Bottoms is now associate manager. Mr. Bottoms has been assistant manager since 1949. He started at Portland in 1936 and served as special agent. In 1940 he went into agency work and for several years was in the navy, rejoining the branch office in 1948.

Lotus M. Conser is associate manager in charge of fire. Mr. Conser came with F. & G. in 1936 as special agent and since 1950 has been Portland manager.

At Philadelphia Earle S. Phillips is named assistant manager in charge of fire. Mr. Phillps has been Philadelphia manager for F. & G. since 1947. He joined F. & G. as special agent in Delaware in 1946, after serving as president and state national director of the Delaware Assn. of Insurance Agents.

Court Order Closes Doors of Seaborad Mutual Casulty

HARRISBURG, Pa.—An order dissolving Seaboard Mutual Casualty of Philadelphia and directing Commissioner Leslie to liquidate its business and affairs has been issued by Dauphin county court.

The commissioner had suspended the company from transacting business. All policies will be cancelled automatically by law on Dec. 30. Mr. Leslie warned Seaboard policyholders to arrange immediately for coverage with other insurers.

A resolution requesting the suspension had been adopted by a majority of the directors. It is understood that some time ago the company came under the department's eye but was able to forestall action by levying an assessment on policyholders.

Automobile third party liability constitutes the bulk of the company's business. It is expected that much of this will now go to the Pennsylvania assigned risk plan as it is of a flavor not too sweet to the ordinary companies.

James A. Andrew is president. Direct premiums written in 1950 were $920,841, net premiums $491,448, net losses paid $300,706, loss adjustment expenses $78,481 and underwriting expenses $282,114. Assets at the end of 1950 were $753,349 and surplus $100,333.

Official Mass. Rate Hike is 9.7%

Commissioner Dennis E. Sullivan of Massachusetts has announced the official 1952 compulsory automobile liability rates, which are up an average of 9.7% and are the same as the tentative rates made public Nov. 23.

Rates for property damage liability have been increased 30% by the companies. Although this is not a compulsory coverage in Massachusetts, it is estimated that as many as 90% of the automobile owners carry P.D.L.

The companies are considering an appeal of the announced rates, which they feel are inadequate, to the supreme court. The companies have asked for a 22.7% increase as "the bare minimum" needed to keep them in business.

Approximately 700 employes of **American Surety** attended the Christmas dinner dance in the company's dining rooms at the home office.

PERSONALITIES AT 25TH ANNIVERSARY MEETING OF E. U. A.: Above—Philip Abney, Loyalty group; Leonard Peterson, Home, and R. S. Stoddard, New York Underwriters. Inset left—Herman Badenhoop, Jr., Fidelity & Guaranty, and H. Clay Johnson, Royal-Liverpool. Inset right—Charles A. Voorhis, Yorkshire, and W. C. Widerman, Camden Fire.

WSB Regulation Releases Most Group From Controls

Automatic Approval Where Contribution of Employes 40% More

After 10 months of consideration, wage stabilization board regulations have been established which free group insurance substantially from stabilization controls. Economic Stabilizer Putnam signed regulations giving automatic approval to health and welfare programs in which employes pay at least 40% of the gross cost. Automatic approval is offered to plans in which the employe contribution falls below the 40% mark if the plans do not call for paid sick leave, large hospital and surgical allowances and lengthy rest cures. Such benefits will not count against wage increases permitted in other rules of the board.

Defines Benefits

The new criteria is contained in general wage regulation 19 and resolution 78. It is the regulation which defines the various types of health and welfare benefits which employes may receive in plans that do not require formal approval. All plans whether within the permitted formula or not must be filed on forms available at regional offices of the Department of Labor with the WSB in Washington. Plans within the regulation may contain hospital, surgical and in-hospital expenses, group life and accident and coverage of these types for dependents.

Resolution 78 enumerates the conditions which the plans must meet if they are to receive automatic approval.

The fact that a plan does not match the criteria does not mean it will not eventually be approved, because the WSB asserts that any plan which is not unstabilizing will get eventual okay. Plans not meeting the rules will be acted upon by WSB, but must await specific approval.

Thirty-Day Wait

In cases where plans qualify for automatic approval, the employer must wait 30 days before putting the plan into effect.

Health and welfare plans where employes do not contribute 40% can receive automatic approval unless they offer paid sick leave, disability benefits for more than 26 weeks, a waiting period of less than seven days in the case of illness, disability compensation for an individual worker which is more than 60% of the average weekly wages of all employes insured, extra-plush expenses such as private rooms, blood plasma, plastic surgery high surgical fees, life policies with cash surrender values, accidental death and dismemberment policies for retired employes and other unusual provisions.

Lawrence in Full Charge

Joseph W. Lawrence, for seven years manager at St. Louis for Utilities, has been placed in full charge of the business in that territory following the resignation of Thomas Baker, executive vice-president, who is planning to enter a local agency.

Travelers held its employes' party for underprivileged children Dec. 14. About 1,700 children attended.

Packed House, Frank Talks at N.Y. Forum on A. & H.

With additional life companies discovering the A. & H. business almost daily, it was a sure thing that the forum on A. & H. and group coverages that the Life Insurance Assn. of America ran at its annual meeting in New York City would draw a packed house and elicit lively discussion.

The participants spoke frankly and pulled no punches. Those with considerable experience in the A. & H. business while still welcoming newcomers into their bailiwick, were careful to call attention to the pitfalls that a neophyte might stumble into.

Helps All Hands

This freedom of discussion not only had the effect of sharing trade secrets with the newly initiated and the potential converts but was helpful for companies already well established in the A. & H. field. Obviously one of the dangers to the A. & H. business is that enthusiastic newcomers will plunge ahead and fall flat on their faces over obstacles that older heads in the business could have warned them against.

This sort of thing could be quite disruptive to the rest of the A. & H. business. For example, a company might offer benefits of a type that seemed sound but which costly experience had proved either to be impracticable or to be safe only when handled with special precautions. Similarly, a company might go overboard in liberality of limits or smallness of premiums.

Until the perpetrators found out through costly experience the errors of their ways, they could give their competitors a rough time, forcing them either to meet competitive prices and coverages or pass up the business they would like to write.

The warnings were not lost on those newly in the A. & H. business or on those thinking about entering it, for most of them had been in the business long enough to have had experience with the old total and permanent disability coverages written at inadequate rates and with over-liberal terms, which were largely the result of competitors trying to outdo each others.

The forum's moderators, Bruce E. Shepherd and Albert Pike, Jr., manager and actuary respectively of L.I.A., by their penetrating questions and comments, helped greatly to keep the discussion going on a lively, informal and candid basis.

Mr. Shepherd opened the discussion with a query as to why there has been such an upsurge of interest in the A. & H. business among life companies. Roger Hull, executive vice-president of Mutual Life of New York, said his company had decided to go into A. & H. mainly as a question of service to policyholders. He said Mutual had found that a good many companies were "servicing policyholders through our agents."

COMMISSIONS

Mutual also considers A. & H. a valuable supplement to life insurance commissions, especially for the man just getting started, who needs the type of sale that will produce a quick income.

Also a factor in Mutual's decision was the possibility that socialized medicine would be more likely to gain strength if private insurers failed to meet the need for A. & H. coverages.

As to the attitude of "old timers" in the agency force who felt that A. & H. had no place in life insurance, Mr. Hull said that probably some Mutual Life agents will never do much if anything in A. & H. sales but others will find no objection to it. However, the company's greatest hope is with the new men, who are expected to accept A. & H. with no more question than life insurance.

Frazar B. Wilde, president of Connecticut General Life, tossed a slightly damp blanket over the hopes of those who were expecting big things from their new A. & H. departments. He said Connecticut General has been writing A. & H. since 1912 with results that he termed about neutral, neither a success nor a failure.

"On net balance none of the theories that any of you hold that haven't been in the business will be borne out," he said.

W. T. Grant, chairman of Business Men's Assurance, which started out as an A. & H. insurer, said that B.M.A. puts no pressure on its men to sell any particular type of insurance but wants them to sell what the prospect needs. None of B.M.A.'s men sells either life or A. & H. exclusively.

"I think the life insurance companies that are going into the A. & H. business are due for a great disillusionment if they think their life agents are going to sell any great amount of accident and health insurance," he said, intimating that such companies will have to rely mainly on new agents for their A. & H. production.

Mr. Grant said it is easy to get A. & H. agents to sell life insurance because they have a feeling that it is a bigger type of business but reversing the process is a lot harder.

Mr. Grant said he likes having the life companies in the A. & H. business because they have a good reputation and may be expected to maintain it. He is not concerned about the market being saturated. He pointed out that A. & H. benefits being paid run about three-quarters of a billion dollars a year, while estimates of losses due to accidents and illness run about $10 billion a year.

PERSONNEL

What about losses of personnel who are hired away by companies entering the A. & H. business, Mr. Grant was asked. There have been some heavy losses, he said, but most of them have been on what he called an "ethical" basis, that is, the company seeking the man asked the man's company about it first.

H. R. Bassford, vice-president and chief actuary of Metropolitan Life, which has been in the A. & H. field about 30 years, said that if a company is going into this line it should write health as well as accident and stress weekly benefits, thereby raising the premium to a figure that can interest the better producers. Premiums often run in the $150 a year range. This means more persistent business and a lower unit cost.

C. O. Pauley's Views

C. O. Pauley, managing director of the Health & Accident Underwriters Conference, said the idea of life companies going into A. & H. is good and he is not alarmed on behalf of the smaller companies in the conference. He said there is a large demand for A. & H. insurance and it has not been filled. Even so, A. & H. is not bought, any more than life insurance, but has to be sold. The life companies are the ones that have the necessary sales force and technique to do the job. "Unless we do it the government will step in and if that happens I leave it to you how long it will be before the government gets into life insurance," he said.

Mr. Pauley said that "whatever you do you have to sell good insurance."

(CONTINUED ON PAGE 23)

Asks Okla. State Fund Take Over "Comp" Risks

OKLAHOMA CITY—The insurance committe of Oklahoma legislative council has been asked to sponsor legislation which would enable the state insurance fund to take over workmen's compensation business. In submitting the proposal, Charles Hathaway, editor of Oklahoma Labor News, also urged holding in abeyance decision on the 10.1% compensation rate increase proposed by National Council on Compensation Insurance.

The proposal claims that the fund could safely double or treble its premium volume with little cost and could write compensation at a profit under the old rates.

Under the proposal all insurers writing workmen's compensation would turn their renewal policies and new business over to the fund until such time as they could write the business profitably at present rates. The fund would allow agents a 5% commission on the business.

Among other proposals submitted to the council are:

To make a study of the proposed increase in automobile insurance rates; to abolish the state insurance board with transfer of its administrative duties to the commissioner; to create a panel of men to preside at rate hearings, appeals from denials of license applications, and license revocations; to employ a qualified actuary by the council to carry on continuous study of rates and report periodically to the legislature.

E. H. Schroeder Gets Top Claims Post for Allstate

Edward H. Schroeder has been named vice-president in charge of claims for Allstate. He succeeds Victor C. Gorton who retires to enter private law practice.

Mr. Schroeder joined Allstate as a claim examiner at Chicago in 1936. In 1939 he was transferred to New York as eastern claim manager, returning to Chicago two years later as assistant general counsel and home office claim manager. Later he served as resident manager of the New York regional office. Since 1950 he has been assistant vice-president, claims.

Bad Drivers Found to Be Psychologically Upset

Bad driving habits have now been attributed, at least in part, to the fact that drivers have experienced unhappy childhoods, going unloved while their parents quarreled. Dr. W. A. Eggert, chief psychologist for the Kemper companies, and A. H. Malo, consulting psychologist for Lumbermens Mutual Casualty, made a two year study of truck drivers from more than 140 companies to find out why some of them were so hard to get along with in traffic. They suggest that if a youth kicks his friends in the shins and is rude to his father, he may turn out to be a poor driver. From their studies they concluded that the way a man behaves in his daily living has something to do with the way he acts behind the wheel.

Texans to Hear Ray Murphy

DALLAS — Ray Murphy, general counsel of Assn. of Casualty & Surety Companies, will be a speaker at the casualty-surety meetings to be held by Texas Assn. of Insurance Agents at Dallas Jan. 21 and Houston Jan. 22. Joe E. Vincent of Bryan is chairman of the association's committee in charge of the events. Details of the program are to be announced later.

The Christmas dinner party of **Insurance Women's Club of Oklahoma City** was marked by an excellent attendance, with gift giving and filling a Christmas basket for a needy family the major factors.

Continue Fight on Mo. Bill On Constitutional Immunity

ST. LOUIS—Another meeting of all the groups and individuals opposed to the house bill that would deprive charitable and eleemosynary institutions, school districts and other city, county and state agencies of their constitutional immunity from damage suits is to be held Jan. 8.

A protest meeting Dec. 20 was attended by representatives of Hospital Assn. of St. Louis and individual hospitals, Insurance Board of St. Louis, St. Louis board of education, Blue Cross and insurance interests.

The bill passed the house several weeks ago and is now pending in the senate. It would permit any of the affected institutions or agencies which carry liability insurance to be sued directly to the extent of such insurance protection.

Those who spoke at that meeting said the first result of the pending legislation would be to force the affected institutions that now carry liability insurance to drop such coverage altogether. They declared that if this bill becomes law it is certain that liability insurance rates will shoot up so high it will not be practicable for non-profit institutions to retain such protection.

A spokesman for the board of education said that the school system can't legally purchase liability insurance policies but is interested in combatting any further attempts to reduce or eliminate the legal immunity that the schools now enjoy.

Bowers New President of Cleveland Casualty Chiefs

C. Lloyd Bowers, Massachusetts Bonding, has been elected president of Cleveland Assn. of Casualty & Surety Managers. Other officers are Fred W. Selsor, Fidelity & Casualty, and B. E. Jump, Great American Indemnity, vice-presidents, and Robert B. Wheeler, American Surety, secretary.

Speakers at the Jan. 7 meeting will be Ray H. Miller, manager of the Ohio assigned risk plan, and August Pryatel, deputy superintendent.

National Fire Names Myers Casualty Chief at Denver

National Fire has appointed B. T. Myers casualty and surety supervisor for Wyoming, Colorado and New Mexico, with headquarters at Denver.

Mr. Myers started in insurance in 1932 with the claims department of Ocean Accident, later becoming manager of the automobile and general liability department of the R. B. Jones agency at Kansas City. He went with National in 1948 and has been in charge of casualty and surety affairs in the northern California-East Bay area. He served with the marines in the last war.

Medical Anti-Trust Case Up

WASHINGTON—Scheduled for argument before the Supreme Court the week of Jan. 2 is United States vs. Oregon State Medical Society, et al. The government has appealed from the U. S. district court for Oregon, which ruled in favor of the society in a Department of Justice anti-trust suit.

Stanley Silverberg, a special assistant in the solicitor general's office, will appear for the government. Nicholas Jaureguy appears as chief counsel for the medical society.

Gaston New ADT President

Edward F. Gaston has been named president and a director of American District Telegraph, a Western Union affiliate which provides fire and burglary protection through electrical systems. He succeeds the late Edmond A. Ward.

Mr. Gaston, a vice-president since 1947, started with ADT in 1907. In 1935 he was elected assistant secretary and in 1941 general plant superintendent.

Full Program at New York A. & H. Forum

(CONTINUED FROM PAGE 20)

He expressed the hope that life companies would go into A. & H. with varied approaches, so that thereby they would cover the entire field.

Asked to speak as a representative of a company that is not contemplating going into A. & H., Peter M. Fraser, president of Connecticut Mutual Life, said he didn't want good men spoiled by chasing $25, $35 and $40 premiums.

"We'll stand by and see what happens," he said.

Discussing cancellable vs. non-can., Mr Pike asked Harold Lawson, vice-president and actuary of Paul Revere Life how his company feels about these two coverages. Mr. Lawson said there is a very close connection between non-can. and total and permanent disability coverage. He advised anyone thinking of going into non-can. to read up on the discussions prevalent 20 years ago on this coverage and total and permanent disability. That was when the life companies were beginning to find out how badly they were being burned on disability and when most of the relatively few non-can. insurers were having similar troubles with that type of insurance.

CLOSE PARALLEL

Mr. Lawson said that much of what was said about disability then is applicable to non-can., though the non-can. companies have stopped issuing lifetime benefits for sickness. He said it would be healthy if life companies got into A. & H. but if they get into non-can. they should be armed with knowledge of what it entails. Conservatism in the amounts of indemnity "has kept us healthy in the last year" he said, warning of the danger of forgetting the need for caution at times when incomes are abnormally high.

It's not a mass production matter, Mr. Lawson cautioned, saying that a company must be "choosy" and make sure that its premiums increase as the insured gets older, so as to reflect the greater risk involved.

Chairman Grant of B.M.A. returned to the microphone to say that if companies try to sell non-can. by trying to discredit the regular accident-health insurance, which constitutes from 75% to 90% of the A. & H. business, it will prove extremely disrupting to the public and the business. He opined that it is not practicable to sell both types. Although B.M.A. does it, it only sells about 3% on the guaranteed renewable basis.

Mr. Grant urged the use of the term "guaranteed renewable" rather than "non-cancellable," since even a non-can. policy automatically cancels itself when the insured reaches a specified age. He emphasized the extremely small percentage of regular A. & H. insurance that is denied the renewal privilege. He pointed out that calling such insurance "cancellable" is inaccurate, since almost none of this insurance can be cancelled before the term of the policy expires.

Ohio State's Committee

Clarence L. Peterson, vice-president and general counsel of Ohio State Life, said his company has a committee that passes on all refusals to renew a policy and that the committee has never refused to renew except where the insured has been guilty of fraud or malingering.

"We must be careful not to disgust the public with too frequent cancellations or too frequent refusals to renew," he said. He mentioned a non-cancellable law that was proposed in Ohio and which there was much trouble in defeating.

E. J. Moorhead, executive vice-president of the U. S. Life, a stock company which has been ten years in the A. & H. business, got quite a laugh by saying that stock companies referred to "profit" while mutual companies referred to "enjoying a favorable financial experience."

He said the life companies, in their A. & H. business, could be divided into three classes as to profit; those consistently making money, those that are doing very well now while times are lush but which may expect to have some trouble when times are tougher, although still coming out all right on the whole; and those that have only a slim margin now and can look for a really bad time when business conditions turn sour.

"There is a fourth category, too," he said. "But it is too dismal even to mention."

"Is A. & H. a form of life insurance or should it be regarded as a casualty coverage?" was the question put to Jarvis Farley, secretary of Massachusetts Indemnity and president of the Health & Accident Underwriters Conference.

Mr. Farley said considerably more than half the membership of the conference consists of life companies. He said there is quite a difference between the philosophies of the general casualty companies on the one hand and the life and specialty A. & H. companies, such as Massachusetts Indemnity, on the other. He said that the life and specialty companies follow the personal insurance philosophy characteristic of life insurance. He urged all those who are considering entering the A. & H. business to be aware of this difference.

In the discussion on whether to pay the same commission each year or more the first year and less on renewals, Mr. Bassford said Metropolitan Life was one of the first to follow the latter plan. However, he warned that the renewals after the first year should be higher than a collection commission because the first four years of an A. & H. policy are the critical ones and a policy has to stay in force about four years in order to be profitable. He said that in a mutual company the dividends help persistency.

Lincoln National's Experience

Henry Rood, 2nd vice-president ordinary department, actuary and secretary of Lincoln National, said that the experience of the 1930s indicated that disability coverage could be safely issued with a longer waiting period and cutting off the coverage at age 65 to eliminate the temptation to use disability as retirement insurance. However, with unemployment insurance filling in the waiting period and social security providing retirement benefits, Mr. Rood wondered whether the safeguards of waiting periods and cut-off dates would be as effective as had been thought.

Wendell Milliman, vice-president of New York Life, which recently went into group insurance, said New York Life has no feeling of getting into a saturated business. He said there is much group business to be written, particularly in the field of union-negotiated contracts.

C. M. Eddy, vice-president and secretary of Connecticut General, was asked whether the controversy over mass selling has been resolved. He said it probably never will be, for some feel that group insurance should be confined to a maximum of $5,000 or so on employes of a single employer, while others feel that the opposite extreme is all right. He said probably a sound middle ground will be found that will satisfy the needs of the country and of most people.

He said he felt that the current question in group insurance is not how far mass selling is going but where is the loss ratio going.

There was much interest in the group insurance discussion but a good part of it was off the record and because so much time had been spent on A. & H. there was relatively little left for group before it was necessary to adjourn.

Good Year for Fire Reinsurers

Volume Is Up 20%; Losses Are Slightly Higher

NEW YORK—The premiums of fire reinsurers for 1951 will show an increase of 15 to 20%. In the treaty field the upsurge comes from increased dollar values that have resulted from inflation, from an increase in property per se, and from increased sales of insurance on existing property, extended coverage, for good example. For reinsurers not taking catastrophe or excess of loss, the loss ratio will not be quite as good as for 1950 largely because the amount of dollar fire damage has crept up pretty consistently, but it will still be an excellent year.

Reinsurers that do handle catastrophe covers, the three principal ones being North America, Excess Management, and London Lloyds, will have a loss ratio considerably higher than 1950 because of the Nov. 25, 1950 windstorm, much of the liability for which did not get on the books until 1951. Primary insurers who had castastrophe covers underestimated their losses from that wind by about 50%. Reinsurers still are getting adjustments in reports of losses from ceding companies, 13 months after the event, but in minor and diminishing amounts.

Big Demand for Catastrophe

The increase in premiums for those writing catastrophe cover comes in part from the greatly increased demand for such protection on the part of primary insurers, who were belted hard by the big wind, and who would have been in serious plight, many of them, if it had not been for the excess of loss protection. Even at rates three and four times what they were at the beginning of 1950 and with retentions substantially above those that were asked by reinsurers at that time, ceding insurers still want a good deal more insurance of this type than they had. The wind was an extremely convincing argument for this type of cover, and unquestionably the demand for it will be heavy for many years to come.

The market for catastrophe cover is tight. Not all primary insurers can get all they want, even at the higher prices. So far as can be learned, all the primary insurers have been able to secure some of the protection, but it has not been easy to do. This has been particularly true where a primary insurer changed reinsurers or bought it for the first time. If there were another catastrophe of the size of the November, 1950 blow, or of half that size, the market probably would dry up.

New Group Forming

For this and other reasons, there is more than usual interest on the street in the reported formation of an underwriting group which will make its facilities available for this kind of cover, along with the treaty covers that the reinsurers recognize are necessary to provide stability.

The increased emphasis on deductibles under extended coverage, notably in New York, is regarded very favorably by catastrophe cover reinsurers. The reinsurers have watched with interest also the rather substantial development of new E.C. business, from new residential units and from purchases by property owners who did not have it before.

One customer who has had to pay more for catastrophe cover is the fire reinsurer himself. He has had to retain more and pay more for what he gets. Primary insurers writing in the New England territory are getting hit particularly by the big increase in rates for this kind of protection. New England is a big premium territory and has a heavy concentration of values. It also has a number of small companies writing semi-locally and these insurers have been especially eager to secure catastrophe protection. Today reinsurers regard the heavily populated areas of the northeast as a wind catastrophe territory.

There are two views on what is ahead for the fire reinsurers as to volume in 1952. Some believe regular treaty business will drop off and competition will increase.

At least one reinsurer, however, sees the entire fire business headed for another volume squeeze, at least for the small primary insurers. Looking back to 1945-7, he recalled that the elements in the serious tightening of the market at that time consisted of a rise in insurable values which automatically led to a deteriorating loss ratio. The concomitant stock market decline added another pressure against policyholder surplus. Since Korea the economy has been in the throes of another sharp inflationary spiral. The business is not, today, getting cover up nearly to the insurable value created. Once again the companies are applying some pressure on agents to bring insurance up to value.

One result is going to be a strain on the professional reinsurance market. This is a tiny thing compared to the $2,500,000,000 primary market; consisting, as it does, of about $150,000,000 of assets. If there is any deflation ahead, it will be temporary and will come toward the end of 1952, this reinsurer thinks.

Pattern of One Company

Another large reinsurer reports that in the last half of 1951 its volume was down, following a first half in which premiums were up considerably; this compares with the 1950 pattern of volume being off in the first half and way up in the last half. The small and medium sized companies have been producing the increased premiums.

On new construction, reinsurers get less of an increase in volume than they do on an increase in insurable values, it is pointed out. This is because on new property values the primary insurer is setting up his own retentions; on property already in existence and previously insured and reinsured, the primary insurer has his retention set, and more of the increase, perhaps all of it, goes to the reinsurer.

If inflation keeps on going up, primary insurers will be overloaded and call on their reinsurers. There has been little or no pressure in the fire reinsurance field for about four years. The treaty reinsurers' volume is upward, and, it is suggested the reinsurers' fire volume will increase more rapidly and is doing so because primary insurers do not adjust their net retentions right away after an inflationary spiral starts. It is only after two or three years that they begin to make this adjustment. Of course, in a deflationary period primary insurers retain a greater liability and a larger share of the premium in order to offset declining volumes so that the reinsurers' volume declines more rapidly. This is accentuated, of course, by increased competition among reinsurers for the dollar volume that is left.

Can Absorb 15%

With continuing inflation, the pressure of a 10% rise in volume can be taken care of by primary insurers and reinsurers out of the business itself. They can accumulate the necessary capital as they go along, without too much difficulty. As a matter of fact, they probably can stand a rise of something more than 10%. But if the level rises much beyond 15% or so, the market becomes tight.

It is a good era for broadening the base of the reinsurance market, many of those in this field believe. The professional reinsurance market in the United States should become larger. It should develop two legs to stand on, with one leg in fire and one in casualty—and the day undoubtedly will come again when the casualty business will be the goodleg. With what has happened in the automobile, general liability and workmen's compensation fields, with the November, 1950 windstorm, together with the Kansas-Missouri floods in 1951 all have exerted an educational shock power on the entire business which has created a permanently broader acceptance of and appreciation for reinsurance and the professional reinsurance market.

The cycles of fire and casualty complement each other.

Another reinsurer observes in these days of a somewhat stringent reinsurance market that the many small companies, operating in one state or one region, both mutual and stock, constitute an untapped market for reinsurance. It is not always easy to harness this reinsurance capacity, which consists of the possession of more policyholder surplus than the insurer needs in the writing of the business it does direct. Perhaps on any given reinsurance commitment, one of these insurers could take only 10% or so, and these small percentages are scattered over the country. If there were a practical way to put this capacity together so that it could function efficiently, there would be a substantial widening of reinsurance capacity in the U. S.

There has been a slow increase in the volume of annual premium payment of term business, according to one reinsurer. Some insurers pay the full premium to the reinsurer in advance in order to avoid the paper work. It is difficult for reinsurers to tell how much of this business is actually on the books. Definitely, however, the swing is in process to term on an incidence of payment once a year. The annual renewal plan eliminates the reserve problem but increases the expense because with annual renewal the business goes annual for reinsurance purposes. The same work is done for 20% less income.

There have been discussions in the business that the term discount be cut to 10% for three year and 12% for five year business, and that all lines eligible would be eligible.

The Kansas-Missouri floods hit some reinsurers hard, and this will influence the loss ratios of those companies. Inland marine catastrophe covers received a good advertisement as a result of the flood, but there has been no visible tightening of the market for such protection as a consequence.

Late in the fall it became apparent that some primary insurers were going to need year end portfolio relief because of the pressure on premium reserves. With the ceding companies writing more heavily, their demand for treaty cover during the year has been greater, and for some this has not been quite enough. There will probably be more year end portfolio relief contracts than last year.

MORE OF THE SAME

Casualty Reinsurers Now Realistic with Tough Job

The casualty reinsurance business is in a sad plight. It has not caught up with inflation though some reinsurers, by taking extremely drastic steps for two or three years in a row, are a lot closer to par than they were last year or in 1949. Inflation is to blame but reinsurers as a whole, some of them belatedly, have quit trying to speculate on when this will quit and instead are now trying to learn to live with it.

They have adopted drastic measures. They are going to get enough money in to catch up with losses or they are not going to write the business. At least that is the way they feel at the end of 1951.

Naturally, premiums are up for the casualty reinsurers, just as they are for the primary companies, largely as a result of increased rates—certainly not as a result of taking aboard new business, in the case of either primary insurer or reinsurer.

Percentage Retention

In some instances, reinsurers apparently are asking primary companies to retain a percentage, even though it is fairly small, of the insurance they place with the reinsurer. This is one way to get the ceding company to retain more of the liability, but it is also apparently aimed at getting the primary company to be more cooperative when the reinsurer wants to settle a case. At this point in the past, and in most cases today, the direct writer wants to try every case. Today, reinsurers say, the result is worse than if settlement had been effected.

There is more real pressure on the writer than there has ever been, and some of them recognize the difficulties that may lie ahead; others, of course, do not. One reinsurer commented that it may get to the point where the reinsurer will not write high limit policies. He noted that if inflation continues it is possible than an automobile owner will pay $500 a year in New York City for adequate limits. The squeeze in automobile bodily injury lines is on the small primary writers who have to cede off everything above 5/10 or 10/20. The market has steadily worsened all year.

Small Insurer Hard Hit

This explains the big drive of the reinsurers for higher rates on excess limits, a drive that will accelerate as 1952 goes along. If reinsurers don't get the excess tables up enough and fast enough, a big number of small companies is going to be fresh out of reinsurance. They can't operate without the reinsurance — the big companies can. Many of the small companies do not realize the danger they're in or how critical the situation is as of now.

It is hard to see any reason for any insurance department resistance to an increase in excess limits tables, since the cost falls on the fellow that nobody, not even the politician, is scared to hit. One reinsurer suggested that higher limits may cost from $5 to $10 more than basic limits, where they now cost from 75c to $1.50 in most places. Even at $5 or $10, the additional protection is one of the bargains of the age. The difference between 50/100 and 100/300 limits in Connecticut is less than $1.

A fairly substantial rise in premium income of casualty reinsurers is expected in 1952, in relation to the volume increase of primary writers. There is a tendency for primary insurers to keep a larger retention as the rates charged by the reinsurers go up.

RAISE LIMITS

One observer thinks the problem of casualty reinsurance is one of the most serious facing the business today. He

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MANAGEMENT CONCERNED

Unlimited Medical Makes W.C. Catastrophe Line

Even though automobile bodily injury continues to account for the major portion, perhaps up to 85%, of the underwriting losses being sustained by casualty reinsurers, the workmen's compensation account is becoming a matter of serious concern. The reinsurance market for W.C. is very thin. Reinsurers are boosting retentions, for some of the larger insurers to $50,000 or $100,000, and reinsurers are asking for more money after having asked for more last year and, in some cases, the year before.

A straw in the wind is that specific excess of loss covers for self-insurers, who, it is estimated, have about one-third of the employes of the country, have become almost impossible to buy. One domestic company and London Lloyds appear to be the only markets left. Even there rates are higher, retentions larger. Aggregate excess covers are still available, though these generally are written on self-insured risks developing theoretical manual premiums of $10,000 to $100,000.

Too Long to Predict

There are several reasons why W. C. is running auto B.I. a close second as a worry producer for reinsurers. All cannot be blamed on inflation, though benefits continue to be increased and all of the factors which an injury to or death of a workman bring into play are numerous and are all subject to inflationary pressure.

The big reason, however, is the unlimited medical, which is now well recognized as the source of scorching shock losses. When an insurer gets an automobile bodily injury claim, a jury verdict at least puts a ceiling on the cost. Also, there is the chance of making a settlement along the line. There is neither ceiling nor possibility of settlement on W.C. in those states which have unlimited medical. This is said to be around 36, though the administration of them differs substantially.

In W.C., the law and the industrial commission or workmen's compensation board keep the payments flowing. It is this very real hazard of non-termination of liability that is causing insurance management to reappraise W.C. and its future with fresh apprehension.

The so-called miracle drugs constitute the factor that multiplied the W.C. hazard by time to produce a catastrophic result. These drugs now keep alive cases which previously were closed out by death in three or four years, most of them on what looks like is going to be a normal life expectancy. Paraplegics or damaged spine cases that rarely lived more than three or four years prior to 1940 today are living indefinitely.

This in itself would not present insurmountable difficulties. Reinsurers can and have set up reserves on such cases on a life expectancy basis. A great deal of the adjustment to this kind of reality already has been accomplished by the reinsurers. They are no longer astonished, though they may be discouraged, by a $100,000 to $500,000 reserve on a case of this kind.

What bothers the insurers is the injection of an uncertainty which they say is almost impossible to plan for in advance, by charging rates and putting up reserves. This uncertainty is what the cost will be 20 to 30 years from now of doctors, nurses, hospitals, drugs, and of all the other things that go to make up the medical bill for the catastrophe W.C. case. Suppose the reinsurer has an underwriting profit on W.C. of $200,000 in 1950 but has 25 such cases on its books. If the present, very substantial reserves set up on the 25 cases is sufficient to pay them out, then the $200,000 could go into surplus, dividends, etc.

Profit Never Profit

But the reinsurer is afraid to pull down any of its W.C. income. On the contrary, the impulse is to put it in reserve and hang on to it until the shock loss cases on its books today are closed out. A $200,000 underwriting profit in 1950 is not going to be profit in 1970 or 1980 if the per item cost of medical is up 20% 20 or 30 years from now. If this rise in cost, over the life of the big case, is an average 10%, the effect is easy to see: 10% of $300,000 is $30,000. Cut the $30,000 in half, to be conservative; $15,000 must be multiplied by the number of cases now on the books—one reinsurer has 25 of them; another has 15, and so on.

There is no end to the liability, except the terminus of normal life expectancy—that hasn't been changed yet. What the reinsurer can't do is guess with any real hope of guessing correctly that the dollar purchasing power will be the same 20 years from now. Few believe the economy is going to have anything like that stability. There used to be a limit on medical and there still is on benefits, though the latter limit is creeping up. There is no limit on medical.

The question has been asked, is the business writing an uninsurable risk?

The insurance business found that it could not write unlimited non-cancellable health insurance. Yet what is the difference—W.C. coverage is a promise to pay the injured workman hospital and medical for the rest of his life.

Primary Insurers Don't Know

As reinsurers come back to primary insurers each year for more money, the latter are recognizing more and more the seriousness of the W.C. situation. But it is still the contention of the reinsurers that the originating companies do not realize the real gravity of the situation. The claim men at the direct writing level continue to be overoptimistic that they are going to get the injured persons back to work, according to reinsurers. There seems to be a tendency on the part of the claim men of primary insurers to cling to the belief that the permanent total case, such as the paraplegic, will die. He used to; in three or four years he usually contracted uremic poisoning.

The insurance business is going to have to charge for the catastrophe losses (a $25,000 case in the reinsurance field used to be regarded as a catastrophe). It is said that the insurance business already is getting the rates for such losses, as those losses are reflected in the experience. But the trouble is that the primary insurers are so busy it is hard to get them to identify and pull cases that are close to getting into the reinsurer, which feels it must set up proper reserves on a contemporary basis.

As a consequence, reinsurers have turned to the practice of sending their own claim men into the files of the primary insurer to dig out the ones that already are getting close to the reinsur-

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Action Regarded As Eventual End of Sliding Scale

Reinsurers were bitterly disappointed that the insurance commissioners failed to modify their stand on the sliding scale contract. On the basis of the recommendation as it finally stood at the December N.A.I.C. meeting, ceding insurers can take credit for only the minimum commission, not the provisional commission as they have been doing.

The commissioner's reinsurance subcommittee strongly urged the reinsurance business to try to work out some alternatively scheme that would preserve the essential character of the sliding scale contract. But the business believed it had done this in the proposal made by John W. Lamble, president of North Star.

Reinsurers are convinced that the action of the commissioners will eventually spell the ruination of the sliding scale contract because ceding companies if they are barred from taking credit for the full provisional commission are going to ask the reinsurers for the full provisional as a minimum, and the business will be back where it was with the flat commission contract annually renegotiated.

Charge Against Surplus

Whatever the difference between the provisional and the minimum, the ceding company is supposed now not to take credit, which will mean it has to charge against surplus. If the ceding company earned its provisional commission of 45% in 1951 it will ask that as a minimum in 1952.

The effect, reinsurers say, will be to restrict the reinsurance market. It will stabilize the minimum commission at too high a level. It will remove the flexibility from the sliding scale contract, which was the main element that reinsurers and primary insurers both were seeking for so long and which has been largely responsible for its success so that today more than 80% of all contracts are said to be on this basis.

The sliding scale makes the primary insurer more conscious of his gross operations; it puts premium on good underwriting. It tended to prevent switching of contracts.

Commissioners, hanging on to the strict application of an accounting principle, had sympathy but no relief for the reinsurers. They emphasized that even though the provisional commission was in the bank of the ceding company from the outset of the business, nevertheless if it were provisional, it was not guaranteed.

Has to Be Done Some Way

What perhaps the commissioners do not realize is that the constant adjustment of money between insurer and reinsurer as the loss ratio rises and falls must be accomplished in some manner and the sliding scale contract was the most satisfactory means that has been devised to do this with the least disturbance to both reinsurer and ceding company. The same thing must be achieved, but all the commissioners have done is to put it back to the flat commission contract, a much less satisfactory and a much more awkward method. If the business goes back to the flat rate contract it is going to be harder to conduct the business. Contracts will shift around. It will lead to more year end portfolio relief.

If the reinsurer and the ceding company agree on the 37.5% provisional commission and a 32.5% minimum, though the ceding company has the 37.5% in the bank, the commissioners in effect insist on liability of five points being charged in the way of unearned premium reserve. Yet the reinsurer is basing its provisional on the history of the ceding company's loss ratio. There is no law to this effect, yet commissioners are insisting upon this procedure.

The proposal made by the reinsurers, to permit credit for the difference between minimum and provisional up to 10% of policyholders surplus, was reasonable, those in the business contend. The reinsurers point out that provisional commissions are based on the average loss ratio of the ceding company for five years next preceding the accounting year, and there is every indication that the provisional commission would be earned in the next year over. But the commissioners hung their hat on a technical accounting principle, though accounting principles are violated many times in the insurance business for good practical reasons.

It is basic in bookkeeping that every asset has a corresponding liability. However, in this instance, the commissioners would have the ceding company put up a liability without the reinsurer being able to take a corresponding asset. The view of the commissioners was that this is a contingent liability, but there could be no contingent asset to offset it.

75% Meet R.R. Law Requirements

About 75% of the first 500 cases filed under Montana's new drivers' safety responsibility act were able to satisfy provisions at the time of the accident. About one-third of the remaining 25% were able to satisfy security provisions shortly after the date of the accident. The two-thirds who haven't yet settled their cases still have time to do so.

The Seattle and Tacoma Blanket Clubs, young men's insurance organizations, will hold a joint meeting Jan. 17 at Tacoma. Bill O'Mara, radio and television sportscaster will speak.

PROFESSIONAL REINSURANCE IS NOT A SPENT FORCE

Stabilizing Service Is World-Wide

By W. JUUL, Foreign Editor, The Review, London

Professional reinsurance is not a spent force by any means for all the fierce competition it encounters from the great direct-indirect-working companies operating in the reinsurance sphere so largely on the basis of reciprocity. I compute the net reinsurance acceptance premium income of professional reinsurance companies from all over the world at well over £150 million a year. This represents a considerable stabilizing service to direct-writing companies owing to the more long-term nature of relations than is possible where business is based on an exchange by way of reciprocity. There are no comparable figures of the total amount of reinsurance acceptances but the world-wide total must obviously, in part for purely statistical reasons, exceed by a substantial margin the premiums of the professional reinsurers.

W. Juul

The greatest development in non-professional reinsurance in the past generation has been the entry in force of the big companies and some major Continental companies into the business, some of which now write reinsurance acceptance premiums reaching seven figures. The development has naturally been watched closely by experienced reinsurers, some of whom had made arrangements for making available a well-blended retrocession business to offer their ceding offices, a business which owing to its spread makes up in quality for what it lacks in quantity. Another and comparatively recent development is the offer of a higher rate of commission where reciprocity is not insisted upon, thus replacing a potential profit to the ceding offices by a guaranteed profit. The impression prevails, however, that the British non-professional company reinsurance market is getting near saturation point and that the time is not far distant when a choice must be made as to which business to keep on the books and which to let go. Already business is in some cases being ceded in per mille of total reinsurance cessions and there are obvious limits to how far one can go along those lines.

Luck would still appear to be with reinsurers as far as 1951 claims experience is concerned, subject, of course to what surprises the last month may bring. It is thought, however, that though there will be an over-all increase in fire and accident premium incomes more particularly on accident than on fire, the days of spectacular increases of 20% or more are over for the time being, though it would be rash indeed to forecast that the end of inflation is in sight. In fact these premium increases have not been altogether a healthy sign. Although there has undoubtedly been an influx of new business to British reinsurance companies, part of the increase relates to higher yields under existing treaties often directly traceable to higher values with potentially greater chances of the unbalancing of accounts. On the whole reinsurers would probably not be unduly sorry if the increase in premiums should slow down somewhat. With a premium income of now over £12 million British professional reinsurance may indeed claim to have become established and can foreswear writing for premiums, which is all too easy these days, but which can so easily wreck companies.

The fire claims experience seems still to be good and is in some cases estimated at 3 to 4 points below what it was at this time of the year in 1950. Both British foreign, and probably to a lesser degree, British home business has shown good results and looking round Europe there does not appear to be any particularly adverse experiences either. One Danish company was unlucky in its third quarter by reason of an arson fire and there has been a big wool store fire in Belgium — largely covered with foreign companies—but by and large both Scandinavian and Belgian business should yield a profit for 1951. United States business, too, seems still satisfactory although not necessarily as good as in 1950 (the November hurricane excepted). The effect of that hurricane has been to drive up the price of excess-of-loss covers, often quite considerably, while there has been a growing insistence on higher and higher deductibles. Catastrophe reinsurers who have remained on the business and have secured higher rates for it should ultimately benefit from the new and higher rates for extended coverage which became effective in New York state on Nov. 19.

On the accident side on the whole the claims experience has remained good in 1951, with the exception again of motor third party and possibly public liability and in the United States workmen's compensation, all classes in which claims are liable to be settled with considerable delay and at a cost which is affected by inflation that may have taken place in the meantime. The time has, indeed, come for reinsurers to make a stand in this matter and in the United States experience data of the last three months of 1951 have been called for with a view to the raising of rates if necessary. In several European countries including Great Britain and Ireland motor rates have been raised though it is not considered that they have been put up nearly enough in this country (public liability rates may go up, too, in England), nor is it at all certain that the much more substantial increases for instance in Sweden are enough. Still they help; but the chief remedy seems to lie with direct insurers to intensify accident prevention campaigns and to go flat out where political considerations do not form a bar to still higher rates. It is not clear what exactly reinsurers can do, particularly professional reinsurers who have a clear duty to tide their ceding offices over bad periods due to misfortunes and not to a mistaken rating policy. Where the latter is suspected they are insisting on alterations in rates and terms in favor of reinsurers. Higher underlying retentions and some agreement on an amicable readjustment in the case of run-away increases in court awards might, however, go some way towards remedying a business which has cost—reinsurers millions of pounds round the world. However, there would still appear to be a strong element of competition even for that type of business and reinsurers to be found willing to take a chance that the business has turned the corner or that the terms now offered offer an adequate remuneration to reinsurers.

Time will tell but, though I can naturally write only in very general terms, I am not too confident that reinsurers are being given a fair deal on that type of business, though, of course, it must be conceded that individual companies may conceivably have a better than average claims experience entitling them to special terms. On the whole Lloyd's would appear to be rather wary just now in particular of American casualty business and something is bound to be done about that business in its home area.

Marine does not yet trouble reinsurers as results declared are largely relating to the good conditions that prevailed two or three years ago.

Marine Expands

Marine underwriters in these days of rising commitments, have constantly tried to help brokers and clients out by accepting bigger commitments than really intended and that consequently the capacity of the reinsurance market is being taxed to the full. That does not necessarily make room for new reinsurance companies, especially as marine target risks are perhaps only a thousand in number. There is, however, a movement noticeable for enlarging the London reinsurance market. General of Amsterdam has set up its own underwriting offices in London, and Assurances Generales-Accidents has just established City General Ins. Co. with a capital of £250,000 to write reinsurance business here. A number of other foreign companies, including the largest German reinsurance company, Munich Reinsurance, has linked up with a firm of brokers or others to write facultative fire business. United Offices Ins. Co., has been set up to write world-wide business through United Standard.

Hail Claims Increase

The 1950 claims experience was not markedly different from that which has just been described for 1951, except that probably increases in premium income were larger. The one outstanding difference was the very adverse hail experience in France and Switzerland. This led to the calling of an international hail insurance congress in Paris last October, which although it had not direct bearing on the reinsurance problems of the business may ultimately lead to valuable research into the problem of what can be done to steady the business by an extension of the cover or by trying to secure a greater permanency

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Business Should Act Promptly on Excess Limits Problem

By ROBERT L. BRADDOCK


R. L. Braddock

The problem of rate adequacy has always plagued the casualty insurance business, and over the years, techniques of rating have been developed that are now firmly established. In relatively stable economic conditions, those formulae have produced a rating structure that has enabled the privately owned casualty industry to provide coverage and limits needed by the public. There has always been recognition of the fact that a pattern of losses in the past was not necessarily the answer for the future and the failure of the formulae in this area produced redundancies or deficiencies in the rates.

It was only when violent upheavals hit the economy that the limitations of established methods made their use impossible. Gas rationing at the beginning of war created an atmosphere that called for anticipatory action based on judgment. The casualty industry promptly reduced rates and events proved the move was sound for the companies as well as the public. Earlier this year, the same type of rating on the basic limits premium was accepted by the state insurance departments to enable the industry to take a step toward coping with the inflationary spurt in claim costs that is an aftermath of the outbreak of war in Korea. Rating formulae were not the answer in either of the above situations. High costs of claims and high premium levels demand that the industry and the departments recognize that rates must be more than a look over the shoulder.

It is in the liability excess limits tables that past procedures completely break down. The principle of applying a percentage increase of the basic limits premium for higher limits has long been a part of the manuals. There was never any particular attempt to justify the amount collected by statistical information. Everyone, the companies, the reinsurers, the insurance departments, and the public, accepted the tables and worked with them. It became apparent during the 1930s that a company could reinsure a portion of its liabilities at a price satisfactory to the reinsurer and have a profit. This redundancy naturally resulted in a sales effort on the part of the companies to sell higher limits and the public responded. In 1938 general recognition that the tables seemed to produce more money than was needed brought about a 25% reduction. No statistics were gathered industry-wide that presumed to support this move. After the reduction the business continued profitable in the excess area and the companies continued to bring home to the public the desirability of high limits. Some companies went so far as to change the minimum limits from 5/10 to 10/20 or 15/30.

When the second world war ended, the casualty insurance industry was in a healthy condition. Profits during the war years under gas rationing had been good. The young American reinsurance companies were looking forward to continued growth. The economic outlook was that a period of readjustment that would be mildly deflationary would occur as the country reverted to a peace-time economy — that was the published view of the national government. The guesses were wrong and the economy adjusted upward as wage increases and price increases played leap-frog.

The public reaction as it affected the casualty insurance business was normal. They sat on juries and handed down verdicts which they felt recognized the depreciated dollar. They continued to buy higher limits and those verdicts were paid in increasing numbers. The casualty companies did not act quickly with the lifting of gas rationing in revising rates but relied on the old formulae. During 1946, 1947, and 1948, the primary companies took a bad loss. The reinsurers sustained heavy losses. There was little appreciation of the leverage effect of inflation on excess losses and

Mr. Braddock is vice-president of General Re, a post which he assumed about a year ago. He has been in insurance all his business life, starting 17 years ago in Cleveland with Travelers. He was continuously with that company in casualty underwriting, successively at Cleveland, Toledo, Indianapolis, Oklahoma City, Philadelphia and New York City, until he joined General Re.

for considerable time most executives considered the whole problem was confined to basic limits and set about to obtain corrections.

While those adjustments affect the excess by expanding the base to which the percentage was applied, all such changes have been too little and too late to help the reinsurer. Primary companies generally had a profit in 1949 and the first half of 1950. Basic rate increases had helped the primary companies, but the reinsurers continued to be hit more and more severely. The outbreak of the Korean war merely acted to throw gasoline on the fire — the primary companies went back into the red and the reinsurers' losses increased.

Experience gathered by the rating bureaus did not indicate that there was a read inadequacy in the excess limits tables. Yet the reinsurance companies lost money in increasing amounts in spite of a program of increased retentions and higher charges. It was not until a substantial number if companies began paying more for reinsurance than the rates produced did any great segment of the primary companies become concerned. The primary writers were caught in a two way squeeze of high cost of reinsurance and high loss ratios on their retained limits and a real move started to obtain revision in the excess limits tables.

The Texas department with the cooperation of nine domestic companies felt that there were errors in the experience figures completed and set about by a hand run to produce the true picture. As a result of the study of those companies supplemented by a voluntary filing of 60 other companies drastic action was indicated. Texas proceeded to act without equivocation and approved an average increase of 103% in the excess tables on Dec. 1, 1951.

Reluctance to Act

In spite of the results brought out by the Texas study, there is a reluctance on the part of certain segments of the industry to take positive action. Some say more accurate figures on excess losses must be obtained by the use of more meticulous methods before the companies will be in a position to justify a substantial increase under the old rating formulae. This approach fails to recognize that new figures would take a year to gather and would be so outdated as to be of questionable value.

There are certain facts that need no defense. First, the reinsurance companies are losing money on the liability lines individually and as a group—examination by the state departments prove this. Second, most primary companies are losing money on every dollar of excess limits they sell—their records prove they pay more plus their expenses than they are permitted to collect. Third, a continuation can only hurt the public for restrictive underwriting programs can be the only alternative in the absence of corrective action. A limitation of markets in either the limits offered the buyers or the territories in which companies are willing to provide cover is a logical aftermath of increasing losses in any given line. The insurance company cannot afford, and the state departments cannot by inaction (brought about by insisting on detailed statistics) allow the public to suffer restricted markets.

High Incidence of Error

Statistics are of limited value on excess losses and cannot be readily gathered without a high incidence of error under present methods Many companies do not maintain statistics that enable them to readily pick up the multiple person accident. A large percentage error was discovered by the Texas department in the filing of one company even after the extreme care that had been taken. If it could be assumed that statistical filings are possible, there are reasons why a great measure of judgement must still be used.

No one would suggest that an insuror should provide one million dollars of cover for little or no charge just because there have been, up to now, no losses on one private passenger car of that size. It would be falacious to try to make rates in a given state on losses of considerably less amounts than one million dollars. How creditable statistics are and to what amount of loss they should be used is a pure judgement matter. Recently one court in Houston, Texas handed down two awards in the same week that represented nine dollars in pure loss cost for each automobile registered not only in the entire city but also the country. No statistical approach can anticipate shocks such as that—shocks that are peculiar to the excess loss bracket.

Effect of Coverage on Settlements

Settlements are affected materially by the amount of coverage available. Assume a demand by the claimant for $9000 that is considered unreasonable by the adjuster who has an insolvent assured and a policy with 10/10 limits. The chances are he will fight the case with little to lose and might win it. Yet with the same demand for settlement and a policy of 50/100 limits most adjusters would hesitate to go to court—the award if he lost might be a multiple of $9000. No statistical approach can give relief for this situation. Primary writers are affected by this situation as limits desired by the public continue to creep upward.

Really huge awards do not occur every year and some reserves for contingency must be set aside. A pure statistical approach will again fall short if it does not recognize that taxes will take over half of such reserves in the years they are not expended to pay losses. The tax laws do not adequately recognize the catastrophic nature of the casualty insurance business.

Many excess losses are never paid because the policy limits are 5/10. Increasing policy limits are going to mean that more excess loss is paid. The argument is used that if that is so, likewise more premium will be collected. That is valid if the excess premium is adequate to pay the excess loss. Prior to the recent Texas increase, if every automobile in the city of Austin and the remainder of Travis County had been isured for 100,000/200,000 limits the excess premium collected would not have paid for one excess loss of $100,000. Who would like to assume there will no be a loss of that size in that county during the coming year—if it comes we can be sure all automobiles will not have paid for the limits.

Reinsurers Can't Know

During public discussions of this problem, some primary writers have suggested that the reinsurers should furnish the statistics needed by the departments. Such information as the reinsurers have is available but it falls short of fulfilling requirements and cannot be processed to be made acceptable. The great bulk of the primary writers have retentions of from $10,000 to $100,000 per accident. The reinsurer knows the loss on each company in excess of that company's retention but has no information on losses between basic limits and the retention. In many cases, the reinsurance premium is not necessarily related to the excess premiums collected from the public and the reinsurer cannot obtain the information. Such statistical data as is to be used must come from the direct writers.

At the risk of over laboring a point, the accepted formula that uses the same permissable loss ratio for excess as primary will produce an inadequacy in rate. For that portion of the excess premium ceded, the overhead of both the direct writer and the reinsurer must be supported. On an average, if this fact plus the necessity of contingent reserves is recognized, an expected loss ratio above 40% on the excess would be too high. There is a point where even such a loss ratio would be unrealistic due to the high area of the

coverage. Some revised statistical approach recognizing trend factors could no doubt be set up and have reasonable credibility for gross losses not exceeding $100,000. Above that level, statistics become rapidly less reliable and judgment must assume the major role.

It would be unfortunate for the casualty industry if as a result of hesitancy to act decisively the situation became more acute. The small companies have thus been hurt more than the large companies. A severe pressure has been placed on them by an inadequate rating structure. They have been the first to feel it but no part of the industry will ultimately escape. Inflation is not a small company problem. The state departments have generally indicated a willingness to meet the problems when the case is presented. It is past time to take the forward action needed; no further delay on the part of the industry would serve either it or the public.

Ceding Insurer's Philosophy on Windstorm Cover

The executive of one primary insurer has come to the conclusion that wind losses fall in a special category, and this now governs his purchase of reinsurance. With wind, the exposure is essentially a matter of the number of risks, not the size of the risk or its individual value. Windstorms cover wide areas, but, for the very great part, the damage consists of nicking each a little. This is true on the whole, even though there are some exceptions.

The average wind loss is very much lower than the average fire loss. For example, one company reports that in the November 25, 1950 windstorm this average was around $80. There were very few losses in the $1,000 bracket, for any company, though over-all there were several large losses and a few substantial ones.

Risk of Big Loss Slight

This insurer reasoned that under a windstorm insurance treaty, the treaty reinsurer did better on extended coverage than the primary insurer. With about the same amount of damage being done in any windstorm to the property of some value as is done to a dwelling, which produces a good deal less premium, the treaty reinsurer was collecting a good deal more on the large, good lines than the risk warranted. Here is a brick store not subject to substantial damage from wind. At a 1-cent rate and $100,000 insurance, if the primary insurer gives a treaty holder $50,000, the latter is collecting $500 on an exposure that is not materially larger than on a dwelling where the E.C. may produce a $50 premium for the primary writer.

The company decided that the fire and E.C. are separable contracts. On fire insurance, there is always the possibility of the whole thing burning, and there the company may retain 25% of the liability. But in a wind, not in a tornado area, the primary insurer now retains all. It uses excess of loss or catastrophe reinsurance for windstorm protection against the shock loss. A windstorm may vary in intensity and size, but it almost always succeeds in being a pretty large catastrophe spread over a considerable area with a small average size loss.

Can't Cut Liability to Bone

The primary insurer at one time suffered a considerable loss in a small midwest town where there was a severe windstorm. It had the idea for a time of reinsuring down to the bone in order to reduce its liability in the area. Yet it was evident at once that this would have to be done in all areas, since no one knew where the wind was going to strike next, and if this procedure were followed the insurer would not get enough to pay it to operate. It would cost 50% to 60% of the premium. Consequently, it proceeded in another direction.

The application of windstorm rates probably has to follow its present pattern as a practical matter, though the rate isn't applied by size of risk. It is not practical to have a provision in the wind rate for the rarity of the real big loss, or of crediting the very large risk with the fact that the loss will probably be small.

Suspend Cal. Agent's License

LOS ANGELES — Commissioner Maloney has suspended for 30 days the agent's license of Roger W. Williams, Long Beach, for failure to handle properly premium funds. The hearing officer found there was no wilful misconduct, but simply negligence.

New Fire Policy Reviewed

The recently revised standard fire policy was reviewed at a meeting of Lincoln Assn. of Fire & Casualty Agents by Kenneth Hunt, assistant manager of Nebraska Inspection Bureau, Omaha. He said the meaning of the policy had not changed and the only difference was in form. It is the same policy—"only more readable, more understandable," he stated.

Mr. Hunt was assisted in his presentation by John Pondelis, also of the inspection bureau.

Celebrates 100th Birthday

The Lake W. Sanborn agency at Galesburg, Ill., held a centennial birthday party. The Sanborn agency, headed by Merwyn F. Hill, represents 22 companies. Special speaker at the banquet celebration was Richard F. Jelliff, editor of the Galesburg Register-Mail.

Observations on Price of Insurance and Reinsurance

By W. HAROLD LEONHART
Leonhart & Co., Baltimore

Everyone is price conscious. And why not? Commerce and industry demand profits. The ability to pay higher salaries and bonuses, to expand operations, to conduct research—to make improvements of all kinds depends upon whether profits are realized.


W. H. Leonhart

Not to be price conscious is to be uneconomic. Other factors are equally important and require comparable consideration but in the final analysis—all other factors resolved—price is most often the determining one.

Perhaps we are too easily lulled into the enjoyment of "tariff rates," forgetting that cooperatives were born and have thrived as the result of "non-competitive thinking" in all industries.

Encourage Competition

Whatever we do, let's encourage the competition of all types of carriers and let's not allow the free market for reinsurance, excess insurance, and special risks insurance to be harnessed into a local competing facility for all of the normal lines and classes as would result from licensing Lloyds of London in each state. It would hurt the domestic companies immensely whereas now they benefit by reinsurance and the provision of a market for difficult risks not readily absorbed in the domestic market.

The domestic market comprising the old and large stock companies is the bulwark of the insurance business and shall always be so if we escape nationalization or, via the socialistic route, excessive taxation.

The greatest evil in pricing insurance today is the problem of securing approvals in 48 states, the District of Columbia, and in the territories of Puerto Rico, Hawaii, and Alaska. Even with the utmost cooperation it takes too much time and the lag can be harmful—especially to the smaller companies.

Effect of Inflation

Rates which are "fair," adequate and non-discriminatory" should also more quickly reflect the current loss experience and trend — and must not ignore the inflationary aspect of claims which today are being paid with 40c dollars from 50c or 60c premium dollars—taking at least $250,000 to do what $166,666 to $200,000 accomplished in 1948—25% to 50% increased cost.

In 1952 and in subsequent years, depending upon political and economic factors, the aggregate cost of claims will be influenced not alone by loss frequency but by the socialistic and inflationary thinking of jurymen, lawyers and public officials.

Judgment must be recognized in rate making to a greater extent in times of emergency if insurance is to be available for everyone who deserves it. Improved experience and competition force rate adjustments downward as conditions become more favorable therefore there should be no fear of allowing judgment rate increases when conditions are not good.

The smaller companies must not be forced out of business. They support the structure of the insurance industry at the grass roots and on the very important experimental level. Furthermore, of paramount importance, they keep competition alive and thwart the designs of the socialistic bureaucrats who want all insurance nationalized or to tax the proceeds so that in effect the management will be working for the government.

Multiple line underwriting, envisaged by real pioneers, one of the first in this country being Walter Hays, president of American Fire & Casualty of Orlando, Fla., has advanced the insurance business immensely in a comparatively short time. Fortunately it blocked off the participating company trend which would have mutualized the industry.

Rates should be fixed year by year according to experience and possible future experience. The simpler the rating formula, the better for all in order to eliminate confusion and lack of confidence through lack of understanding of the rating methods.

Deductibles tend to complicate rating statistics and often introduce an impossible situation for true rating. Pure rating cannot be accomplished because of the many different methods of rating employed by different companies.

Should Use Producers

Assureds should also realize the benefits of retaining agents and brokers to represent them thus placing a high degree of responsibility on the agents and brokers to do the job expected of them.

With respect to reinsurance, the same basic principles apply except that reinsurance rates are not and should not be regulated. Regulation would further tighten the straight jacket upon the business which can now be loosened by prompt approval of rate revisions under existing laws. Rating departments must allow the maximum possible judgment factors or the resulting strangulation will end with federal control of rating thus ending what could have been a constructive and happy relationship of state rating authorities and insurance underwriters.

Mr. Leonhart this year is marking his 30th anniversary in the insurance business. The past 20 years he has devoted to the reinsurance field, where he has attained a notable and well deserved reputation.

Rating must also consider that the cost of reinsurance administration is in the premium dollar. If the original dollar contains 60c for claims and reinsurance cost and 40c for acquisition cost, home office expense, taxes and profit, you must not expect the company to pay out 60c in pure claims and loss expense. The excess casualty reinsurance dollar only contains about 40c for claims with 20c for administration expense taxes and profit. In all excess of loss reinsurance this would hold true because 40c must be allowed for the primary carrier's cost of operation. These are breakdowns of the original excess of loss reinsurance dollar irrespective of how the reinsured pays for the reinsurance, that is, whether as a percentage of the excess premium only or as a percentage of the gross premium volume.

In participating reinsurance, the cost of administration and profit is generally from 5% to 15% depending upon the nature of the risk assumed and the market conditions prevailing — in other words—the competitive situation.

There is a stabilizing factor in the cost of reinsurance which prevents unnecessary commission allowance competition and that is the profit commission or sliding scale provision which almost without exception is incorporated in participating treaties.

There is, however, a misapprehension which has overpowered many fire company officials and that is the respect they have acquired for reciprocal reinsurance. It is a drug which kills market capacity especially when premium volume is high. It affects agents and

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Stabilizing Service Is World-Wide

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of policies enabling hail insurers and reinsurers to budget ahead with greater confidence than is now the case.

Companies went broke wholesale in some countries after the first world war, not merely owing to bad underwriting and an absence of a sound peace-time basis for their activities but also because the position was badly obscured by the way in which foreign exchange problems were dealt with and the handicap the reinsurance departments suffered in respect of lack of skilled staffs. However, the greater damage was undoubtedly done by clinging to par rates of exchange for too long after it had become clear that certain foreign currencies such as Austrian and German would never recover their old parity. The system led often to such absurd conditions as when, for instance, business was reinsured in original currency and retroceded in national currency, that it has now been discarded in most countries and end-year rates of exchange or the current rate at the time of the payment of the premium has been substituted. There would, however, still seem to be some confusion as to what exactly is understood by following the fortunes of the ceding offices. To orthodox reinsurance thinking the foreign exchange risk is a banking and not an insurance risk and reinsurers should not be asked to run the currency risks beyond the date on which the premium is paid. If any other system is used they may fairly claim that they should at least participate in gains as well as in losses. It is an interesting problem and one on which probably no fixed rules can be laid down except the very obvious one, which has become almost a dogma in some parts of the world, namely, the assets and liabilities in each individual currency should be as nearly as possible equalized.

Whether in the modern world that can always be achieved is quite another matter, as the exchange controls may press for remittance home of the maximum of hard currency balances and being less strict where soft currency balances are concerned. Substantially we subscribe to that view in Great Britain, and aim at keeping in each individual country the necessary balances to cover commitments including underwriting reserves. Once balances go beyond that limit they should be handed over to the finance or investment department, as it is sometimes called, and their remittance home or local investment becomes a matter for the administrative decision and not a question directly concerning the underwriter any longer.

Adjustments for Reinsurance

Reinsurers, too, strive to adopt that policy but that does not necessarily mean that they must insist on reinsurance and remittance in original currency. It should be possible to devise a system by which substantially the reinsurances are in original currency but where remittances are made in national currency, there should be adjusted at the end of the fourth quarter to the rate of exchange at the end of the year. It may not be possible to put such a system into operation for all currencies under world-wide treaties but it might be possible to group certain currencies such as the five Scandinavian etc., together or grouping Mexican with American and Canadian dollars, or at any rate put the system into force as regards major currencies. If that was done — or where the system is not operated it was clearly established that the reinsurer follows the fortunes of the ceding office up to the date of payment of premiums—much would be gained.

There may, of course, be cases where provision should be made in reinsurance treaties for an amicable settlement—or settlement by arbitration—of the final rate of exchange to be applied and of other terms of treaties liable to be adversely affected by the rising costs of living, seeing that most of the index-clauses that have been tried, based on industrial wages, rebuilding costs, or the Tuma system of relating the index to mean claims paid during the year, have all one way or other failed quite to make good.

The O.E.E.C. recommendations on liberalization of insurance and reinsurance transactions have been codified but before they can become operative they may, as for instance in Switzerland, have to be incorporated in the bilateral payments agreements that country specializes in. In Great Britain we are on the whole not at the moment unduly perturbed and British insurers and reinsurers are increasingly willing to consider the problem of relations with companies in other countries on the background of the country's economic conditions. Where, as for instance, Israel is concerned there is need to avoid a heavy drain of foreign currency out of the country, a certain amount of reciprocity is being granted. That same would also begin to apply to Japan where, for instance, the fire business has so low claims ratio (under 20%) that reinsurances on normal terms would mean a serious loss of currency which might lead to government intervention either setting up state reinsurance or cutting rates of industrial risks which owing to the catastrophe hazard are at present well above the average level in Europe. Some reciprocity is, therefore, now also being granted to Japanese companies.

On the other hand, the Swiss seem rather more prepared than we are in this country to acquiesce in remittance of only a stated percentage of reinsurance premiums, leaving the balance to be settled as and when trade permits. They seem on the whole more willing now, and even insisting as against other Swiss traders, that insurance and reinsurance, too, should be included in the ordinary clearing agreements though no one who knows the important position of Swiss reinsurance can fail to realize that their ultimate objective is full freedom of remittance.

Emphasis on Cost Reduction

Much thought has been given to the question of reducing the cost of the reinsurance department. A Spanish reinsurer has devised a system built on actuarial lines by which the meticulous working out of the reinsurer's share in premiums is reduced to working out only his share of the different groups of risks, which are grouped together according to the degree of hazard they represent, and are reinsured at an average rate but worked out so that broadly speaking the deviations from the desired net retentions cancel out within each group. The system is being given a trial by at least one Spanish company and a variant of the system has been in use for some time with at least one other Spanish company.

On the practical side a Belgian correspondent, Mr. Tytens, proposed that reinsurers should agree in advance with their ceding offices on the percentage of their premiums which should be ceded so that one could preserve the structure of the surplus treaty and yet avoid much administrative work. It is claimed that some reinsurers are willing to consider the suggestion while others may consider it technically unsound. If there is confidence in the other party business can be done.

The greatest temptation when looking round for curtailment of the reinsurance department lies in scrapping the entire surplus reinsurance system in favor of modern forms of treaties, such as the Ecomor treaty or the Lutfalla treaty or stop-loss cover such as an excess of 25% over 5% excess over the average claims experience of a five or 10-year

period, which is the form my Belgian correspondent seems to favor. The Ecomor system was conceived by A. Thepaut, deputy general manager of La Paternelle of Paris and is fundamentally based on the assumption that the number of large losses remain fairly constant from year to year. The chief danger would seem to be the lack of automatic adjustment of treaty terms and the unfortunate position of a direct-writing company would find itself in should things go wrong and the reinsurance department had been scrapped.

We learn with interest from an American correspondent that something like the Lutfalla treaty has, in fact, been in operation with an American reinsurance company for a number of years. A leading British company is experimentally running a variant of that treaty in its foreign fire deparment to gain experience on the suject. There are various modifications of the Lutfalla treaty which I discussed extensively last year, and may revert to at a later date. In the later variations of that treaty the reinsurer is paid a fixed percentage of gross premiums to cover his costs and on top of that pays from 80% to 100% of the difference between the claims ratio of the year and (say) 25% of premiums for which service he receives a premium equal to one-fifth of the sums so paid during the last five years. In other words the ceding office pays say 1½% or 2% for the services of the reinsurer to get 80% or 100% cover for losses in excess of the average. In the earlier variations there was also a fictitious commissions loading which was a book-keeping item designed to make the premium income appear higher and thus facilitate reciprocity. We understand that the original Lutfalla treaty is yielding a satisfactory profit and it would certainly seem to gain support as the realization spreads that it is not at all unorthodox. On the other hand, especially where foreign reinsurers are concerned, there is always the danger of a severance of links in the event of war which might negative the administrative benefit the company thought it had obtained.

Market Conditions Govern

The ordinary excess-of-loss and catastrophe covers continue to be very much in vogue and are frequently placed on layers, the rating of which does not always appear to be logical but to be dictated by market conditions, some underwriters being already full upon a particular layer and therefore requiring higher premiums to be induced to come in again. It is thought in professional reinsurance circles that on the lower layers — in motor and workmen's compensation — one can balance matters out on a number of treaties as a sufficient number of claims come into the brackets, but on other classes of business the tendency would seem to be to go in for the top or catastrophe layers and to make the spread world-wide in both space and time. In the first case it is often a condition of acceptance of the top layer that a share is being offered also of the bottom layer. There seems to be two distinctly different schools of thought on these covers, some arguing that a catastrophe will run through all the layers anyway and that it, therefore, pays to go on the bottom layer with normally the higher premium while others prefer the top layers. In surplus line business the only innovation we have come across, at any rate so far as we are concerned, is that in some Continental treaties where the ceding office which hitherto had ceded say nine lines, making with the net retention 10 lines in all, now add another line at the bottom so that he retains two lines himself but takes out an excess of one line over one line.

I am interested to learn from a German correspondent that contrary to the general experience elsewhere in Europe in the post-war years the old-fashioned quota share and first surplus treaties have stood the test remarkably well as they have permitted the ceding offices to pass masses of risks on to their reinsurers. This was particularly required owing to the isolated position of German insurers under the now defunct law 47 which gave them an inadequate spread of risks. Although German ceding offices, having had to rely on their own reinsurers for so long, are not immediately throwing them over, these in turn have started to retrocede abroad. Evidently the German currency control is doing everything to facilitate their work. Six of the larger professional reinsurance companies estimate for 1951 their net premiums at the equivalent of $59,175,000, the largest of them, Munich Reinsurance with a net premium income of Rm. 140-millions, $33,362,000, being the second largest reinsurance company in the world, though obviously now well behind Swiss Reinsurance with its $100,523,000 net premiums.

Effect on Costs Ratio

Direct-writing companies have at present every inducement to accept reinsurance business. There is in many countries a special pressure for greater percentages of the premium to go to the policyholder which may tempt the direct-writing company to mix in some indirect business which will normally raise the claims ratio shown in the working account. At the same time the costs ratio is made to appear lower so that from the point of view of published figures the companies gain both ways. However, it is not thought by independent observers that British companies will drop first surplus business wholesale and go over to the newer forms of reinsurance and risk losing their reciprocity business or being left without cover in times of war. One large company, however, ceased reinsuring from its home fire business some time before the war and another is reported to be contemplating doing the same. But there is no generally recognizable move in that direction, and of course if a series of bad years occurs for fire insurers, there might easily be a move in the other direction.

M. J. Sousselier, manager of Caisse Centrale de Reassurance, in an article in The Review queries whether reciprocity is really a sound policy. He stresses that the direct-writing company reinsures to get a better balanced business but that although it may get a bigger spread by accepting reciprocity business, notably from foreign companies, that business is individually just as unbalanced as the business ceded, so that it is doubtful whether the exchange of business technically improves the balance in the net account.

On the other hand, J. Tuma, manager of First Bohemian Reinsurance Bank, in his latest article concedes that in practice there are reasons why reciprocity can be justified and he claims that professional reinsurers are able to offer ceding offices desirous of transacting direct business choice bits of business from different quarters of the globe which they might otherwise never be shown. It seems, however, generally conceded that not much, if any, reciprocity can be conceded for excess-of-loss business and in that lies perhaps the great hope of survival of the surplus reinsurance system in one form or another. We are particularly interested in Mr. Tuma's argument that a stop-loss treaty actually is only a very special form of an ordinary quota-share treaty, of a kind, however, which is not usually found in practice.

Going West

A clever reinsurer remarked to us during the war that if he had his choice he would not bother about Europe after the war but would pack his bag and go west. That is to some extent what is going on at the moment. Competition for Continental European business is getting fiercer and fiercer and we are not at all certain that it is always technically on sound lines and that great damage is not being done to the fabric of reinsurance. Fortunately not so far as can be seen on the disastrous scale that occurred after the first world war, when so many companies born during the war found themselves suddenly without any basis of existence with the

cessation of war risks business. This is perhaps due to the fact that so few new reinsurance companies were founded during the second world war. Soc. Nord-Africaine, Cia. di Roma, AEquitas and Aleanza are the four that most readily spring to mind, apart from the many Spanish and Portuguese companies founded to satisfy local needs. Now, however, the picture seems indeed to be changing and within the last few years quite a number of new reinsurance companies have sprung up. These include three in South Africa, two in Canada, one in Israel, two in Holland, three in Sweden, two in Belgium and at the moment one in this country, founded by a French company.

Under the liberal terms of the Assurance Companies Act, 1946, there seems also a definite tendency toward bringing companies over here either with their own or separate organization or for the purpose of writing facultative fire business through established broker firms over here. Lloyd's, too, has developed out of all recognition particularly, of course, as a reinsurer for the great American market, protecting its policyholders through that great stroke of genius, the American trust fund. The latest move is the decision of the state insurance department of Illinois to register non-admitted companies to participate with Lloyd's in surplus line business, which cannot be placed with authorized companies, a facility of which already 14 companies have taken advantage.

American companies are, with few exceptions such as Insurance Company of North America, not really internationa-minded, particularly not European-minded where reinsurance is concerned and that is perhaps an advantage as competition looks like it is becoming fiercer than ever. In addition to all the new companies a fresh place will again have to be found for the German companies while Japanese companies, owing to the highly remunerative nature of their fire treaties and the fact that before the war they showed substantial balances for their reinsurers, the leading companies, at any rate, are certainly not going to put out their business on world markets without some reciprocity.

The South American markets, as Prof. Jorge Bande, president of the Permanent Committee of the Hemispheric Conferences, points out, are also becoming reciprocity-minded, particularly the reinsurance monopolies, and countries such as Mexico and Cuba are also beginning to make their voices felt in international insurance and reinsurance.

Observations on Price of Insurance and Reinsurance

(CONTINUED FROM PAGE 32)

brokers adversely. Furthermore, even though the terms are the same, the loss ratios never are so that one of the two parties to a reciprocal arrangement must lose. In addition they don't cede exactly the same premium volume each way so even if the loss ratio were the same, the dollars of profit and loss would be unequal.

Here are a few suggestions:

Buy professional reinsurance — the free enterprise way. Pay what it is worth. Not more or less—but if you should pay too much or too little, the provision for profit commissions will level it off. Enlarge your capacity. Engineer your risks. Write more lines. Settle losses quickly but investigate them thoroughly, Consult a reinsurance broker with wide market facilities. Furnish your agents with outside or reinsured "special risk" facilities. Encourage your agents in return for all this "added help" to select good profitable risks. All of these considerations have an important bearing on the price of both insurance and reinsurance.

Another Reason for Strong FR Law

Opening of New Jersey's turnpike makes a more effective motor vehicle financial responsibility law increasingly important, according to Sidney K. Howell, Morristown, president of New Jersey Assn. of Insurance Agents.

The association is urging adoption of a law which would require the posting of security for accidents that already have occurred. The present law requires posting of security against future accidents, leaving the victim of the first accident unprotected.

Study Lincoln City Cover

The city council of Lincoln, Neb., has asked Lincoln Assn. of Fire & Casualty Underwriters to make a complete study of city-owned buildings and fire insurance carried. The city has not carried fire insurance on most of its buildings since the commission form of government was adopted in 1913. An early report with recommendations is expected.

The city has figured that with municipally owned buildings so widely scattered and with diversified use, it was cheaper to self-insure.

The current estimated value of city buildings exclusive of water and light is around $850,000. The city water plant is valued at $5,102,365 and the light plant at $2,056,735.

Minnesota Buyers Elect

R. F. Boettcher of George A. Hormel & Co., Austin, Minn., is the new president of Insurance Buyers Assn. of Minnesota. D. L. Hail, Pillsbury Mills, is vice-president, and Lillian K. Polzin, Minneapolis Chamber of Commerce, secretary.

In New Los Angeles Building

Fireman's Fund group has officially opened its new southern California headquarters in the recently completed glass and concrete structure at 3440 Wilshire Blvd., Los Angeles. Leonard T. Backus is southern California manager. Insurance producers throughout the region viewed the new offices, located on three floors of the building.

President James F. Crafts, Fred H. Merrill, vice-president, and Leslie J. Haefner attended the opening festivities which included cocktails and buffet in the Ambassador hotel.

Highlight of the new office's striking, modern interior design is a glass wall in the reception room into which have been sealed reproductions of mementoes of the company's early history. The department's premium volume exceeded the $10 million mark last year.

Reduce Ark. Fire Rates on Certain Preferred Classes

The Arkansas department has reduced fire rates 10% on office and bank risks, churches, schools and other public buildings, on radio broadcasting facilities, and on heavy mercantile stocks such as agricultural implements and machinery. Rates on hospitals, sanatoriums, orphanages and homes for the aged have been cut 20%. Changes are effective Nov. 1, 1951.

The adjustments resulted from the department's annual profit (or loss) compilation on the Arkansas business of approximately 200 stock fire companies. Under Arkansas law, these companies are limited to a 5% underwriting profit, and when earnings exceed this amount, rate reductions may be made on profitable classes.

Underwriting profit for these companies on these classes for the five-year period, 1946-50, was 8.5%.

Jefferson County Election

JEFFERSON, WIS. — David Cunningham, Fort Atkinson, was elected president of Insurance Underwriters Assn. of Jefferson County at a dinner meeting here. He succeeds R. N. Seward, Lake Mills. Leroy Graves, Sullivan, is vice-president; Arthur Setz, Waterloo, secretary.

Casualty Reinsurers Facing Tough Job

(CONTINUED FROM PAGE 25)

echoes the sentiments of others that a primary insurer may become insolvent and produce a serious situation in the business, but if a reinsurer goes — it is a very grave blow and will have long lasting repercussions. He recalled that this occurred about 20 years ago. He noted also that in the German inflation post-first world war, the insurers were the first to go under.

It is a fundamental principle of insurance that no matter what the line it is insurable at a rate, he says. The rate must include money to pay losses, commissions to producers for getting and processing the business, expenses of running the business and a profit to the owners of the insurer. The fire business in 1942-44 was paying losses on replacement costs that were much higher than those of 1938-40, on which the rates were based. But the fire business secured a big increase in premiums as insurance to value increased and there was an improvement in experience.

He compared this situation with that in the automobile bodily injury field, which starts out with a 5/10 basic limit. It has become a little more realistic, at least in one or two states almost by law the basic limits have gone up to 10/20. But the ridiculous and tragic underinsurance of 5/10 or even 10/20 became apparent when the business began to get judgments based on 1951 ideas of the value of the dollar.

The casualty business can increase the rates—and this must be drastic—or it can realistically view the situation and write no policies for less than 25/50 and get a decent premium for that amount, he states. It is almost an economic necessity for people in the top brackets to have cover far beyond 25/50, now that $100,000 verdicts have become commonplace. One company refigured its auto B.I. premiums and losses on a 25/50 base and found it put it in respectable distance of the profit loss line.

He suggests the rating system be changed, that the experience on automobile B.I. be divided into two categories to determine rates — one the primary, basic 25/50 market and the other that over 25/50.

The biggest problem in the casualty business today is the limited reinsurance market. It is tight on both sides of the Atlantic. The public does not realize that in judging the solvency of an insurer there is a fact hidden from them that bears importantly on that solvency — the solvency of the reinsurer.

It is a duty of the prime insurer to make a profit if possible for the reinsurer, he believes. It is of the utmost consequence to producers because if the prime insurer loses its reinsurance market, the producer simply can not take care of insured. And if this is not done, the casualty business faces a greater threat than compulsory automobile. B.I. will go the road of workmen's compensation.

He warned against the dangers of underinsured verdicts today, where the possibility of the insured having to shoulder a terrific burden, exhaust his savings and assets and continue payments perhaps for the rest of his life is a very real one. The question of providing those limits is up to the producer. If he is to solve the problem better he should familiarize himself with reinsurance.

Fidelity and surety reinsurance as a whole is all right for the professional reinsurers, but there has been a steady deterioration in the loss ratio on contractors bonds. This rises from the uncertainty of the times and inflation. A contractor with a substantial job on his hands may be unable to get something that was available before he started the job, but he has to keep on his men, and they eat him into bankruptcy. This has been the pattern in several substantial losses.

W.C. Is Becoming Catastrophe Line

(CONTINUED FROM PAGE 26)

er's boundary line. One reinsurer applies the measurement of three years out of work. The reinsurer now is insisting that cases of this type be reclassified as total permanents and is setting up reserves on its own books on this basis.

By doing this, reinsurers know that they are getting most of the bad cases into their current experience. Thus they can come a good deal closer to determining a proper rate to charge the primary insurer for his workmen's compensation business. Without following some such procedure, the reinsurer will get the bad news on the day it receives the ceding company's call to start paying. One primary insurer put up a reserve of three months on a case that today, some years later, is reserved by the reinsurer at almost $500,000. The three months reserve got into that year's figures for the purposes of rate making, and the difference probably never did get into the rate structure.

Hard to Evaluate Cases

Because of the vast number of W.C. cases which the primary insurer is handling day to day, it is a tough problem for him to know at any one time which cases in file are beginning to approach the red condition. He may, as some have, be quite sincere in stating that he does not have any such cases. Then the reinsurer discovers 15 or 20 and when it is through evaluating the cases, it has to put up $100,000 plus additional reserves. Several instances of this kind actually have occurred.

The original purpose of the W.C. laws was to eliminate for the workmen the problem of having to establish negligence. The community had an interest in the matter of how industry and business should take care of the sick or injured workman. The cost of this amount needed to take care of the maimed, ill or killed was judged to be a part of the cost of industry.

However, there are certain safeguards set up to prevent that from being too big a cost; otherwise it would have a serious effect on industry. At first the workman was given only half of his wages, and then 60% and then 2/3—keeping it below the amount he made when working in order to guard against malingering.

Increase on Fatalities

On fatalities, in the average state, if the injured workman had two or three children, it used to be that the payment might wind up around $4,000 or $5,000, spread out over a period of years to tide the family over the adjustment period. At that time this was a fair amount of money. Needless to say, it has gone up a great deal. In New York, if a young workman is killed, his widow would get what over a lifetime might amount to $30,000 odd without medical.

But with the medical factor changed as it has been, who can afford $500,000 in medical payments over a period of years except the workman who receives it from his compensation insurer?

If a man fell down the cellar stairs and sustained the same injuries, certainly very few persons in the United States could afford to spend that amount of money over any period of years. Did and does the W.C. law contemplate that kind of outlay? This does not mean that insurers are thinking of throwing the paraplegic out of bed. They do not contend that he should not be put into a hospital. But they are beginning to wonder if there is not a discrimination in favor of the workman here and if possibly the community should not realize that it is paying the bill. Perhaps if the case were returned to the community as a public charge the public would have a clearer idea of what has happened.

Unlimited Medical in Principal States

Unlimited medical obtains in the principal states, principal that is because of the amount of W.C. business that originates in them—such as New York, California, Massachusetts, and Wisconsin. These states have high cost and unlimited medical laws. There are other states, such as Illinois, which have a lower cost law with an unlimited medical. But the manner in which the laws are administered has a major influence in the matter. For example, in some states with unlimited medical, the W.C. board or industrial commission has not been as liberal as in others. This question of liberality is especially acute in such states as California, New York and Wisconsin where the social worker concept is reflected in referees being told to give rewards and injured workmen asked if they are happy with their settlements.

State Funds May Be in Trouble

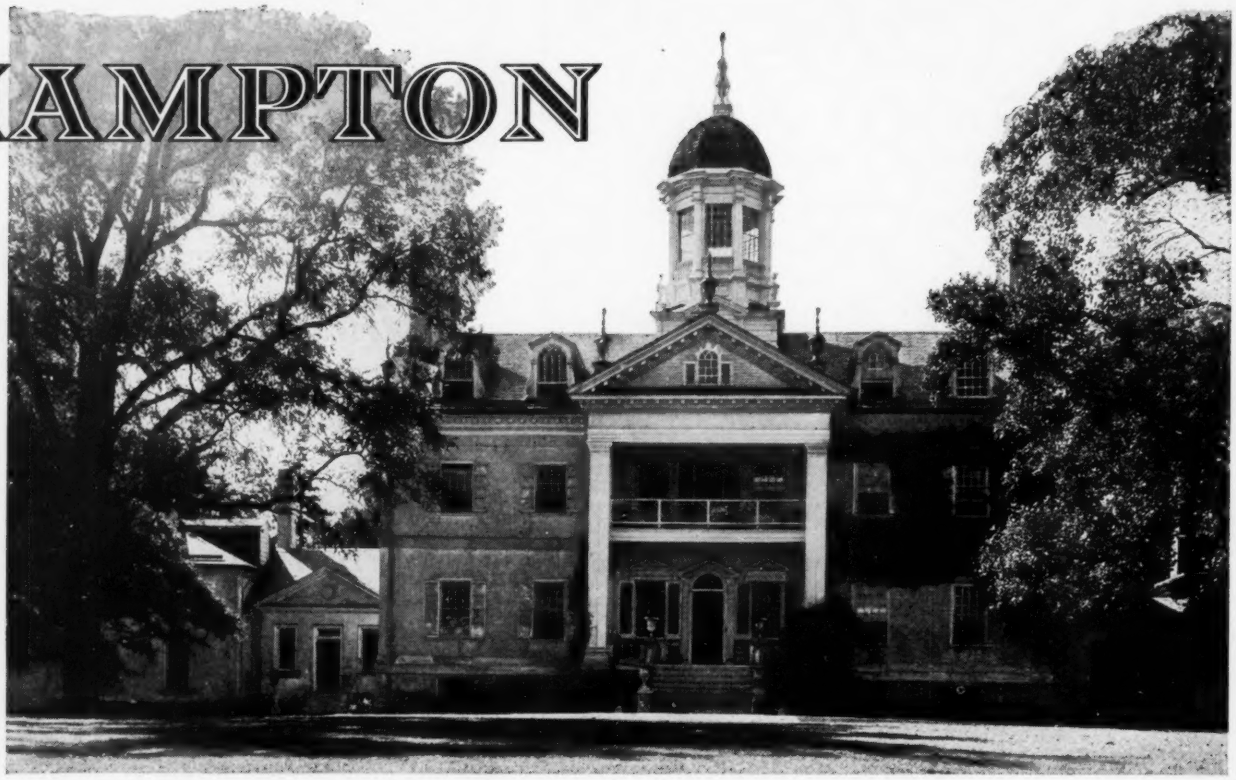
Some observers in the business believe that state funds are headed for trouble, that they do not realize how many potential catastrophe W.C. cases they have in their files.

One suggestion has been made that perhaps the W.C. risk is one that private insurers eventually will be unable to write.

Liberality also is reflected in reopened cases. Not long ago in one state a certain group of cases were retroactively adjusted upwards on benefits by the administrative body. It is disconcerting to close the books on cases and five years later have them reopened. Where is the insurer going to get the money to pay—theoretically and in these times practically it didn't get the money at the time the liability was being created, certainly not when the liability is reimposed on liability. Is the insurer to get the money from its fire insurance account—if it has one?

When the cost becomes so great, perhaps it is occasion to inform those who pay for it, the whole community, and let them redetermine their wishes in the matter, W.C. insurers believe.

HAMPTON



SYMBOL OF A VANISHED ERA

BECAUSE of the danger of wolves in the neighborhood, while Hampton was being built, the workmen were allowed to quit early each day in order to reach home before dark. This stately mansion near Baltimore was started in 1783 and was built by Charles Ridgely whose family had been early settlers in Maryland and had amassed wealth and won prominence in the colony.

Charles Ridgely

Rebecca Ridgely

Fond of hunting and good-fellowship, the genial Charles differed sharply from his domineering, intensely religious wife Rebecca. It was said she was the only living creature he feared. As Hampton was the fulfillment of a long-cherished ambition, when it neared completion, he proposed to hold a lavish housewarming which Rebecca violently opposed. Her husband had his way but on the appointed evening he and his friends waxed merry at a stag party while Rebecca conducted a prayer meeting in another part of the house.

In 1790, shortly after the housewarming, Ridgely died and, having no children, left the estate to his nephew Charles Carnan with the proviso that he assume the name Ridgely. Rebecca, who could have had Hampton for her lifetime, preferred to accept another dwelling. Charles Carnan Ridgely devoted himself to developing the terraced gardens which became known for their beauty. Governor of Maryland for three years, he was married, oddly enough, to Rebecca's youngest sister.

After remaining in the possession of the Ridgely family for more than a century and a half, Hampton was deeded to the nation in 1947. Under the custodianship of the Society for the Preservation of Maryland Antiquities it is operated for the National Park Service. At the time of the transfer a former Secretary of the Interior stated: "Few historic houses in the United States were built on such a magnificent scale. Hampton represents the height of opulence in the period just after the Revolution and it has survived intact."

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